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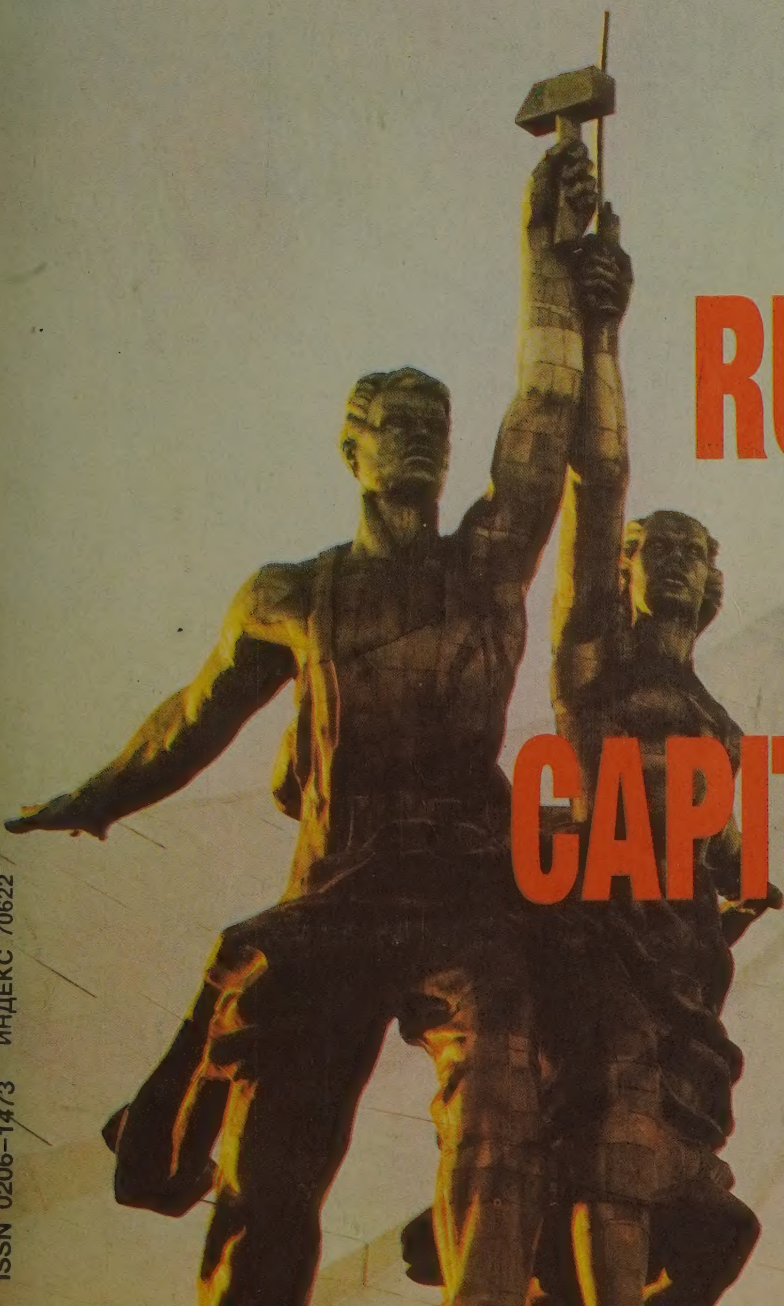
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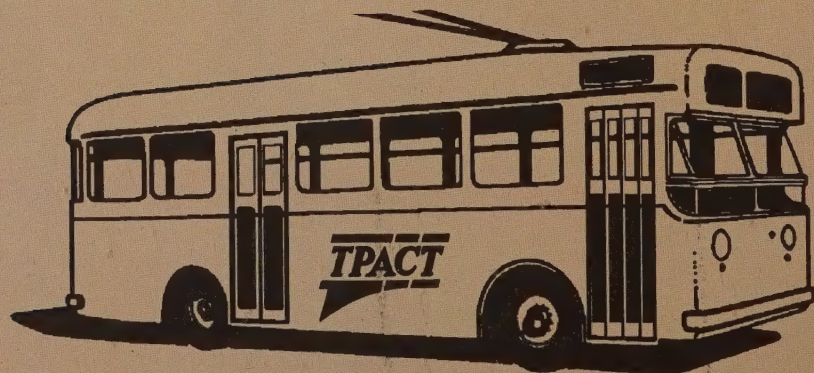
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Cover photo by Nikolai Rakhmanov

Keep smiling

I understand that life in your country is hard today. Russians are in no laughing mood. But let's recall an old truth: the world has survived because it laughed. I think it would do no harm if your magazine also had a little more good-natured humour, not black humour, for God's sake, because you have more than enough of that. Believe me, an old newspaper hand, a little bright humour doesn't spoil even a serious article. Don't forget the American custom of saying "Cheese" now and again.

God bless you.

Arthur Ruderstein,
veteran journalist
Boston

I'm for "intellectual journalism"

However strange it may seem to you, but I read your cover stories with keen interest. They give food for thought, and in this lies the secret of their success. As distinct from shorter, ill-considered articles written in a hurry, the thorough cover stories give much to ponder over. They present cogent arguments. You can agree or disagree with them, but they excite the mind. This is what I call "intellectual journalism." It's a pity we have less and less of it.

Rajiv Shah Dev,
teacher
New Delhi

More goods, but few can buy them

Your writer Tatiana Ivanova would like the government to allow grannies to sell pies. Under Stalin, you could go to any pub and have a drink and buy hot meat pies on every corner. After Khrushchev came

to power the pubs were closed. Pies were sold until the reign of Brezhnev when they were replaced by fried belyashi (larger round meat pies). Then Andropov sent out militia all over the city to see that people don't eat belyashi during working hours. But even belyashi disappeared under Chernenko, who then replaced Andropov.

Tatiana Ivanova rejoices at the abundance of goods now. But people have no money to buy pies. She writes they should earn more. But the journalist is cunning on this point. Far from all today can earn enough money by honest labour for a comfortable life. All that is truly valuable is created by scientists, engineers and workers who receive meagre pay. Why should they have to buy everything from speculators at exorbitant

prices? For some reason your magazine does not write about this.

Albert Zharkov
Tomsk

Patriots and egoists

The most interesting articles published in *New Times* this year deal with inter-ethnic relations. Since the early 20th century no one has tried to investigate what nationalism means. An ordinary man is unable to read anything on this subject. At college we were compelled to study Lenin's article on "The National Pride of Great Russians." And that was all. Lenin was against chauvinists, and the latter were against him. Is there anything more to say? The word "patriot" is under-

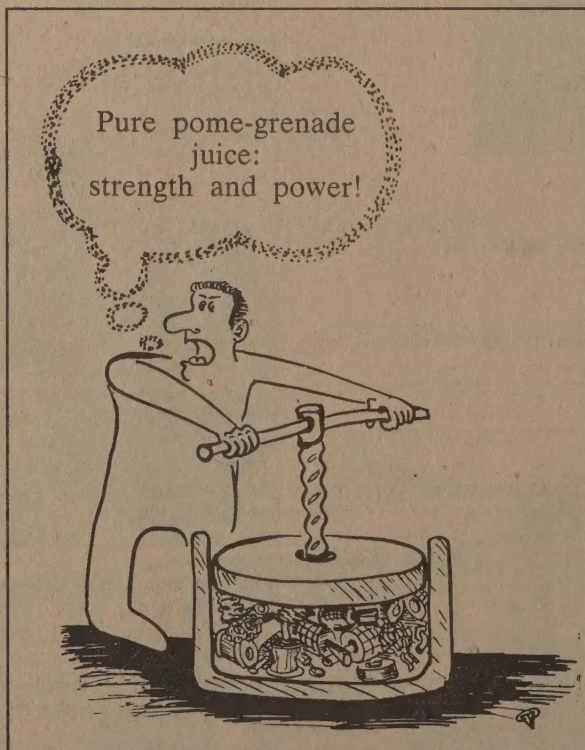
stood by everyone. The 20th century began under the slogan of universal internationalism and has, in fact, become an age of rampant nationalism. There are practically no serious works on the theory of nationalism. In the early 20th century Jewish publicists put out several works on nationalism, Jewish, of course. Among them was Semyon Dubnov, who, incidentally, was an active opponent of the theory of Zionism. Dubnov introduced new terms in the theory of nationalism - "national patriotism" and "national egoism," as two shades of one and the same notion - nationalism. In this case many things become clear.

One of my relatives was in Yerevan. He was late for his plane and a taxi driver charged an exorbitant price. He was forced to agree and give the money in advance. As they rode to the airport my relative put the young Armenian driver to shame, recalling famous Armenians and their merits for which humanity remembers them. At the end of the trip the taxi driver threw the money into my relative's face and shouted: "Get out of my sight, old man!"

In Kaluga, a town southwest of Moscow, my relative tried to reproach workers who did not want to load some equipment for his organization without additional payment. When he cited the examples of Tchaikovsky and Gogol, the freight handlers said they couldn't care less about them because they wanted to have a drink. I explained to my relative that the story with the Armenian taxi driver was an example of national patriotism, while the story with the Kaluga loaders an example of egoism.

Yevgeny Krasilshchikov,
native resident
of St. Petersburg
engineer

THE WAY I SEE IT



Drawing by Yevgeny Starodubtsev

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Our overly pro-Western foreign minister is not the best option for the West

Friendship with US Secretary of State James Baker has cost Russian Foreign Minister Andrei Kozyrev dear. The featuring in a radical nationalist publication of his private correspondence with his US counterpart, wherein the latter voiced far from private requests and thanked Kozyrev for their fulfilment has shaken Kozyrev's none too firm stance in the Russian establishment. There emerges the rounded picture of a rather uncustomary image for Russia of her representative in the international scene. Indeed, after centuries of spread-eagleism Russians appreciate more diplomats who either dictate from positions of strength or artfully squirm out of a corner when dictated to by others. The first were tough and rude. Such Vyacheslav Molotov, who at Stalin's bidding told the Baltic states in 1940 that they were no longer independent, and Nikita Khrushchev, who in 1960 banged his shoe in the UN to show that the communists could bury capitalism by force.

As for the second, they helped Russia out in times of weakness by cunning, even perfidy. Thus in 1905 Count Sergei Witte won over US public opinion and forced the Japanese at Portsmouth to abandon the demeaning demands put to Russia after her debacle in the Russo-Japanese war. Later, already in 1922, Lenin's Foreign Minister Georgy Chicherin outwitted Russia's erstwhile allies, the UK and France and struck a separate deal with Germany to break through the blockade of the Bolshevik regime the Western democracies had mounted.

Today scarcely even Russia's ultra-jingoists would want a foreign minister of the first type. That would be simply ridiculous in a country afflicted by a thousand and one maladies. Yet they would much favour a foreign minister of the second type, able persistently and firmly to uphold his positions or even gain diplomatic advantages when everything has gone to the dogs and the weakness is obvious.

However, Andrei Kozyrev's team has shouldered a totally different mission, one more educational than political. As Russia must join the civilized Western community, she, the team avers, should accept its customs. This firstly implies renouncing spread-eagleism and its practices, even, for instance, the Kurils that fell to the victor as the spoils of war.

Kozyrev knows how to do some things his compatriots are unable to do. Thus he knows

how to measure foreign policy achievement against the level of coordination and confidence with the world community and the latter's acknowledged leaders, notably the USA, Western Europe and Japan. Hence an honest, altruistic approach must be taken to international issues, while egoistic ambition must be renounced. Generally, his stance amounts to what most Russians qualify at best as folly, and at worst as national betrayal.

Though it cannot be said that Kozyrev and his assistants are unaware of the extent to which public sentiment lags behind the progressive views of the diplomatic elite, I think that only aggravates foreign policy's adverse repercussions at home. Though an attempt was made to pursue this policy from the angle of what might be termed accomplished facts, it at once encountered a stumbling block, since democratization requires a different approach, that of persuading public opinion at home, let alone abroad. As a result, on the eve of President Yeltsin's Tokyo visit, to be discerned are signs of a suspicious look at the leadership even from people who would appear to be solidly behind a pro-Western policy in principle.

For that matter the off-the-cuff links with Baker and their highlighting in the media have greatly undercut this policy again because of the said sentiments. Russia needs a less idealistic but more pragmatic spokesman in international affairs capable of stressing at least pretenses of significance and grandeur, while the West needs a shrewder partner. For Kozyrev's inability to win support for his foreign policy only discredits it, which is especially hazardous as regards Western interests again by virtue of the old spread-eagleism that continues to affect Russian mentality.

True, the mistakes the young Russian foreign policy chief may commit are not lethal and may even be pardoned. The main thing for him and his team in this awkward situation is to promptly amend their stance as best as possible while adhering to the overall strategy, as then the cost would be but little and the mistakes soon forgotten.

Vladimir Kulistikov



Quo vadis, Russia?

In the recent months I took part more than once in various meetings and discussions both in Russia and abroad and heard the opinions and ideas of theoreticians and practical workers, scholars and politicians, business people and naturalists. The topics were most diverse – from the situation in Europe to the new world order, from contemporary humanism to problems of ecology and development. But, what is noteworthy, in most cases speakers did not confine themselves to the “declared” topic, invariably touching upon certain general, global problems.

One of these was almost inevitably the question “Quo vadis?”

Where are we going in fact, all of us taken together and separately. Where is the new Russia going (or rather going to go) and in which direction is that which is habitually termed the “West” and that which is understood by the notion of the “developing South.” But this question is primarily asked of Russia. I think there is no need to explain why...

Was it really socialism?

Usually discussions of the problem “Quo vadis?” started with the rather primitive, though widespread (both in our country and abroad) statement: “Well, socialism has failed, has gone bankrupt. Now you will have to retrace your steps...” The following was not infrequently added to this statement, sometimes with a perceptible share of gloating delight and at times with no less vis-

ible concern: “Yes, socialism has turned out to be bankrupt, both in Russia and elsewhere. The socialist idea has no future...”

I must confess that two or three years ago I would have been rather at a loss if I had to react to these constataions. Perhaps, my answers would not have been very convincing and, possibly, even contradictory – in those days it would have been a question of defending socialism, or attempting to somehow justify or explain the real weaknesses

and sins, but certainly it would not be a question of crimes committed by our former regime.

As in the case of many of my contemporaries and friends, I began to have doubts long ago, but these doubts did not concern the nature of the regime, but the way it functioned. The Khrushchev “thaw” inspired great hopes. However, it became clear later that they were not going to come true. The situation became increasingly more complicated, controversial, even dangerous.

Early in the 1980s I wrote a book called *The Historical Mission of Socialist Society*. In fact, it was only then that I began seriously think about the nature of the regime we had, its essence and the mode of its functioning.

Yet, as I went deeper into the subject of my investigation, more and more questions arose: yes, our society resembles only very little those which existed before and those which exist side by side with us. But has it really implemented what seemed to me to be the embodiment of the socialist idea? Being guided in those days by my faith in the genuineness of the ideology which reigned supreme in the country and in the advantages of socialism, I tried to find evidence of socialist ideas being implemented in our country. Unfortunately, something was to be explained and reinterpreted every now and then, because far from all that I saw around me was in conformity with my understanding of the socialist ideal. In many cases realities of the Western world proved closer to what this ideal suggested...

Of course, I looked for justifications and explanations. Sometimes, especially from my present position, they seem to me super-naïve, if not altogether false. In other cases I had to resort to all sorts of reservations and make “allowances” for objective difficulties, for the complexity of reshaping society in the spirit of the socialist idea. And since such reservations and “allowances” were not “in vogue,” to say the least, I had to dig out the relevant quotations from Marx and Lenin in order to substantiate them...

Not a face-lift, but a new approach

Somewhere in 1986, it occurred to me to prepare a new edition of my book. I reread it, this time under the impact of new facts which had showered upon me, as well as on our



Vadim Valentinovich Zagladin is a well-known publicist (born 1927); a graduate of the Moscow Institute of International Relations, Doctor of Philosophy and a Candidate of Science (History), a full member of the Russian Academy of Natural Sciences. He is the author of works on political science, philosophy, international relations and global problems. V. Zagladin is the Chairman of the Soviet Committee for European Security and Cooperation, the Vice-President of the International Association for Euro-Atlantic Cooperation and an advisor to the President of the International Fund for Socio-Economic and Political Studies.



Karl Marx's dreams come true in the US: some modern enterprises there are owned by workers

entire society, when the "inner censorship" began to weaken, chipped away at by *glasnost* one piece at a time. I came to the conclusion, as a result of this reading, that I shouldn't kid myself, because this would be a falsity, since the new situation required new approaches which hadn't yet matured at that time...

Enough of the history of my reflections which, by and large, is perhaps very similar to the evolution of many of my colleagues and friends. However, the conclusions I reached far from completely coincide with those one can find now in books and articles by our, Russian, authors.

For I didn't at all come to the conclusion that the value inherent in the socialist idea which has accompanied mankind on its entire historical path has failed or exhausted itself.

My conclusion was that **the socialist idea as such had not been implemented in our country.** The society we had was not socialist, although it had been created under socialist slogans, because it failed to make man a free and conscious creator of his own future; it failed to guarantee him the rights and freedoms indispensable for his self-express-

sion; it failed to create material and spiritual living conditions required for his full-fledged development, while precisely these values are the essence of the socialist idea.

A split society?

So what did we have? A totalitarian society based on the state-party monopoly on property; on the absolute political domination of the state-party over all of society, over all of its institutions that were deprived of independence and initiative. It was a society where show democracy was the order of the day and where the will of the state-party, rather than the Law, was the ultimate criterion and the supreme judge of the destinies of all and everything.

Yes, this society styled itself socialist, but, as was said above, it didn't accomplish what was the essence of the socialist idea. This society, thanks to the exceptional might of the supercentralized state, managed to reach impressive heights in the development of industry and in the accumulation of military might, but it was done at the expense of

the people who were granted a "reduced" welfare far below the country's potential and incomparable with the living standards of even the not so advanced Western countries.

The tragedy was that the people, millions of people, believed that they lived in a socialist society. They worked, not so much to the full measure of their capabilities as to the extent of those reduced incentives that the state secured to them with the means of centralized egalitarian distribution. The people hoped that life would be better tomorrow and worked in the name of that morrow which escaped them like the horizon...

Now our society is trying to understand its past, doing it in different ways, because it is split and differentiated by memories of its past and its present tragic fate. Society is lost and is asking itself how to live.

...That is precisely how I answered those who talked to me about the "decline of socialism" or the "bankruptcy of the socialist idea." Some of them were surprised and nodded distrustfully. Others grew pensive and gradually agreed. And recently, earlier this year, many among my interlocutors upheld the above viewpoint

themselves, and some even expressed it at various forums...

We live in a different dimension

But all of them, regardless of their political or ideological identity or of whether or not they agreed with my assessment of the past, immediately asked me: and what now? A path towards capitalism? This is precisely the way the question is put by many in this country too, and with a great deal of conviction, at that. Yes, they say, we're "building capitalism" now. But I fundamentally disagree with this for a variety of reasons which I used to enumerate to my interlocutors during the discussions.

The first reason is very simple, though it requires some thought. I will ask you the question which I used to ask my opponents: "What do you mean by capitalism? The England of the 19th century? The America of the 1930s, the Bundesrepublik of the 1960s? Sweden of the 1980s? Or Japan?" This question first perplexed them. Some who are used to categorical thinking retorted rather indecisively: "But all these countries are basically, as regards their economic system, of the same type." However later, in the course of discussions, their views began to change...

Indeed, all the above-mentioned (and other, unmentioned) Western countries share certain common features. These are, first of all, the market economy, private property and parliamentary democracy.

Yet, and this applies to all these and other cases, the contemporary Western society has practically nothing in common with either the capitalism of the 19th, the early 20th or even of the mid 20th centuries. This is a new society, both as to its economic and social characteristics and its political features. It's new and very diversified, with many extremely significant features of their market economy, private property ownership and even of parliamentary democracy having highly important peculiarities in each Western country.

I don't want to propose new theories, still less "definitions." However, a superficial comparison suggests that modern advanced Western countries resemble most of all the "convergent" society predicted in the 1960s by Jan Tinbergen and later by other outstanding representatives of Western economic thought...

Thus, the first reason why I don't believe that we "are marching towards capitalism" is the vagueness of this very concept in our time. And even if we admit that we are approaching a society which is close in its fea-

tures to the capitalist society as described in old text-books; this, in any case, is going to be a very special "capitalism," due to the specificity of Russia's historical path and traditions, as well as its present peculiarities.

Now to the second reason for my disagreement with the prognosis of Russia's inevitable capitalist future. What is this forecast based on? Usually on two main arguments: first, we are building a market economy; second, we are reinstituting private property. So what does this prove? Nothing!

Because, first, neither the market economy nor private property it is based on are concepts which are the monopoly of capitalism. Mankind has known both throughout its entire history. They served different kinds of society, and in very different ways.

Second, and so far there have been no exceptions to this rule, the entire history of the evolution of human society, if taken in its economic aspect, has in fact consisted in a continuous perfection of market relations, forms of private property and methods of practicing it in combination with other forms of property (inclusive of state-owned property). True, not everywhere that market relations exist have the heights of socio-economic development been reached; but equally true is that it's been impossible to reach these heights where there was no market relations. The same applies to private property.

Variants are not ruled out

Of course, the market economy and private property have evolved. History knows also uncivilized, barbarous forms of both, absolutely dissimilar from their civilized versions in Western countries.

One of the latter, for instance, is the social market economy, as it's officially called in Germany and practiced with various modifications in other countries too. True, it's over this matter that a dispute broke out at a recent symposium in Barcelona in which I also happened to take part. One of the participants in the meeting, from Czechoslovakia, tried to prove that the social market economy is nonsense, because the economy can be either socially oriented or a market one. There is no third way. However, this position didn't find support, at least public. On the contrary, it was rebuffed not only by representatives of Germany. The opponents of their Czechoslovak counterpart argued

that the market economy can't be effective if deprived of social incentives and social orientation which is guaranteed not only by state programmes relative to this sphere, but, to a much greater degree, by the activity of private capital. Quite convincing examples were also cited.

As concerns forms of property ownership, thus far history has known no form of property ownership which could be as effective an incentive for advancing production and public welfare as private property.

It's undeniable of course that private property, as well as the market, also engenders serious negative phenomena. They require corresponding antidotes furnished, for instance, by the social market economy. Nevertheless, this form of property stimulates people's activity most of all.

Besides, this form of property is so diverse today that its name as such is only slightly informative. To quote but one example: at a recent Russian-American conference on privatization held by the International Foundation for Socio-Economic and Political Studies, its American participants mentioned enterprises owned by work collectives. They account for up to one tenth of the American industrial output and are highly efficient...

In short, I believe that the assertions about Russia inevitably coming to capitalism are not sufficiently grounded. This scenario is not ruled out, but I think others are more plausible.

In any event, the "fatal dichotomy": either socialism or capitalism, inherited from our past explains nothing and only deprives us of the possibility to really consider our past and our present. I am convinced that today we need a truly scientific investigation into the problem, based not on past or present schemes of various kinds, but on a thorough study of real processes, of actual societies, their negative and positive sides and their possibilities and problems. This study should take into consideration primarily the position of man and all factors of his situation, both material and non-material.

What we need today are not abstractly calculated "general laws" claiming the status of the absolute truth and fraught with the danger of disregarding the peculiarities of countries, peoples, individuals and their destinies, but a thorough study of the real and always controversial and ambivalent



Nikita Khrushchev promised his people to build communism by 1980. Instead the country slipped into poverty

processes and prognostications of possible scenarios of a future evolution should be made on this basis alone.

History provides for a variety of scenarios and alternatives, it is reluctant to follow teleological schemes, as already demonstrated by life. And, as demonstrated by the same life, the attempts to put these schemes into practice bring about deplorable results.

My interlocutors also asked me, which path will Russia choose, considering all that? How can her probable path be predicted?

Certainly, I couldn't supply a direct and precise answer to this question, as no one has yet been able to. But I used to say: it seems to me that Russia's probable path is

(or will be) determined, proceeding from the practical tasks set to her. These tasks must be carried out in order that all her peoples and citizens are given a chance to realize themselves, in order that their rights are fully guaranteed and defended. What is needed for that?

Banal truths are the truest

This requires a highly efficient economy based on advanced technology and ensuring high labour productivity, i.e., a market economy; this requires a normal parliamentary democracy precluding both arbitrary rule and anarchy; this requires the real

supremacy of Law and a strong power of a law-governed state.

Certainly, this is nothing new, even something banal. New must be the solution to all these problems, based, on the one hand, on knowledge and common sense and, on the other, on a thorough consideration of the peculiarities of the Russian ethos, of our (far from only political) culture which has taken shape as a combination of symbols and values "superimposed" by a totalitarian and egalitarian society on Russia's specific ancient traditions.

I don't think that the corresponding solutions and the paths for Russia to follow have been found. Searches continue, unfortunately, more often than not on the path of strife, rather than on the path of consolidating all creative forces capable of performing this most complicated task. Conflict is aggravated by various extremist groups that oppose these searches.

Of course, the experience of other countries, including those which have long reached the contemporary level of civilization norms and those which only recently, practically together with us, embarked on the path conducive to these heights, should be taken into account. However, right are those who warn against blindly copying any "models," "formulae" and experience, even the most promising.

No country has known and will hardly ever know a specificity equal to that furnished by Russian history. Even Russia's present situation in the CIS, which is living through a period of formation with an unpredictable outcome, the situation of a great power in fundamentally new conditions in the world community, offers no quick answers. Success is not to be found on the path of following examples borrowed from our own or foreign past or from the present of other countries.

Russia has started extremely complicated searches for a new path. God help her. But I would like to say in conclusion that no success is possible unless, apart from the already apparent circumstances, one more thing is duly taken into consideration — the novelty of the situation of mankind has found itself in today. However, this topic deserves a special discussion.

Vadim Zagladin,

exclusive for *New Times International*

THIS WEEK

■ "A Constitution must be short and incomprehensible," Napoléon told legislators. Adhering to that rule the Constitutional Commission that sits in the Kremlin spent several months playing around with the draft of Russia's new fundamental law. However, now the Russian President has stepped in, firmly resolving to take the chair and participate "until a new constitution is adopted." He has set out his own interpretation of the basic principles, the main purpose being to integrate all the best points hitherto suggested. Among these he notes the "institution of a strong democratic state," "the strengthening of presidential authority," and "a constitutional ban on organizations and public associations propagating social animosity and hate," which, he says, is "vital for achieving firm social peace in Russia."



■ Sponsoring the extraordinary convention in Moscow of the Democratic Russia movement's radical wing, Yuri Afanasiev and Marina Salye, two leading democratic lights, said they would oppose the government's policy as the country, they claimed, was ruled in effect by a "second echelon" of the communist *nomenclatura*. Instituted was the Democratic Russia movement's radical faction and a new political organization called the Russian Constituent Alliance, whose basic purpose is to convene the Constituent Assembly, get Russia adopt a new Constitution and have all bodies of power reelected on its basis. Adopted were a Declaration setting out the new party's platform and its Rules.

■ Russia's borders with the Baltic states are losing their "transparency." Meeting in Jurmala (Latvia) the border-guard chiefs of Latvia, Lithuania and Estonia agreed to enforce a tougher frontier regime. Explaining this decision Ivars Redisons, a Latvian border-guard chief, said they sought to protect the country from "the international Moscow-based mafia."

■ Russian Parliamentary Speaker Ruslan Khasbulatov, conferring with the Russian Central Bank's new head, Gerashchenko, and cabinet members, noted the special role this bank plays today as "the pivot of economic integration." He said it should pursue an independent policy "not obeying the government or rendering account to parliament."

Consternation broke out when unofficial reports noted that Gerashchenko had cabled a circular suggesting the fresh crediting of enterprises to enable them cope with debts. The government reacted stressing that that would sharply spur inflation. Several ministers demanded that Geraschenko abandon the idea. How Russia's chief banker will respond will soon be known.

■ The Ukrainian Republican Party and Democratic Party were the most influential of the 20 parties and organizations represented at the Congress of Democratic Forces in Kiev. Surprisingly though Ruh, the main political movement that led the Ukraine to independence, was not represented, which means that the division emerging amongst the National Democrats last December yet has been officially registered. The main stumbling block derives from differences of principle as to the Ukraine's future and President Leonid Kravchuk. While Congress believes building an independent Ukrainian state the priority and regards the presidency as ensuring stability, Ruh and its allies count collaboration with communists immoral. They want parliament dissolved, a new general election held, and the "nomenclatura government" replaced by a cabinet of professionals. Ruh leader Chornovil who was Kravchuk's main rival for presidency is still his basic contestant for political leadership.

■ The Russian government, conjointly with the World Bank and the European Bank for Reconstruction and Development has allotted the task of unprecedentedly sweeping privatization to a recently established consortium of six Western firms under the Credit Commercial de France Bank and Brackstone Associates firm of the UK. It contemplates privatizing some 7,000 Russian enterprises including those of the military industrial complex in a several million-dollar programme financed by the European Community, that is to be implemented over some 10-15 years. Programme chief Marie-Hélène Berard has called the programme "a first in world history" from the angle of its scale and tempo. Hopefully praiseworthy results will ensue.

■ Hard currency spivs are panic-stricken as, according to the Russian Federation Central Bank, anyone may quite lawfully buy as much hard currency as needed. Commercial banks may now sell hard currency for rubles without demanding a foreign passport and exit visa. Also as much as 500 dollars may be exported without any special permission. To export larger sums banks must provide notification that such hard currency has been withdrawn from personal accounts. Banks will also furnish chits as to the amount of hard currency sold.

■ Though parliamentary hearings concerned with relations between Russia and Japan and the Southern Kurils were held in camera, it was soon found that they had been keynoted by bitter bickering between, on the one hand, Foreign Minister Andrei Kozyrev and his deputy Georgi Kunadze, who advocate



THIS WEEK

"a rational compromise," and, on the other, advocates of a tough stand, of whom there are so many in the parliamentary leadership and in its main commissions and committees. Kozirev and Kunadze were lambasted for adhering to but one option and for their reluctance to take account of the other options of which there are at least three. Thus far President Yeltsin has not stated his official view, which will be known only when he visits Japan.

■ With Moldova's governmental crisis nearly a fortnight old by now, parliamentary debates rage ever more fiercely, mainly over the Christian Democratic Popular Front's claims to the portfolios of the Minister of Culture and Cults, and the Minister of Education and Science. The Accord faction, who represent, Russophones, is dead-set against pro-Romanian and anti-Russian sentiment in the cabinet. MPs seem oblivious to colleagues from the Dniester area, who boycott parliament, though earlier asked to take their seats with the promise of three ministerial portfolios.

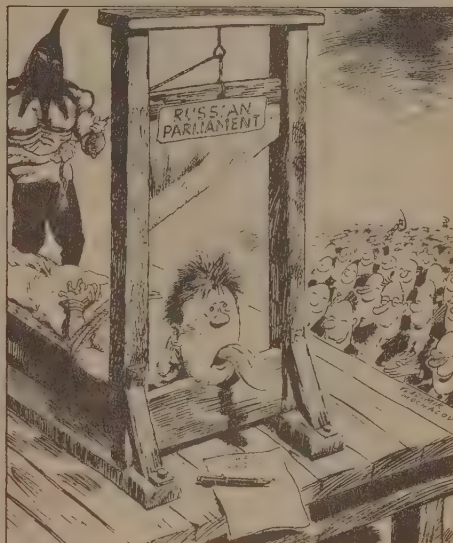
■ In the meantime the Moscow agreement on a solution for the Dniester conflict is being implemented, with the appropriately instituted control commission supervising the mutual withdrawal of armed force and the deployment of a peace-keeping force in the disengagement corridor. Already there are five Russian peace-keeping battalions. As a result, tensions are dying down and refugees, mostly adults, are returning to Dubossary whose industrial enterprises are resuming operation.

■ Yet this does not mean the conflict has been fully resolved as its underlying causes, notably the Dniester area's status, remain. Moldova's parliament has offered restricted autonomy which obviously will not do. Meanwhile Kishinev has rejected Tiraspol's proposal for a confederation. Though the latter has also called for full independence, a compromise will need to be evolved. Whatever the case, peace in Moldova will be secured only provided a political solution is furnished.

■ Noting the Russian Justice Ministry's official registration of the Russian Democratic Reform Movement, that was inaugurated in Nizhni Novgorod nearly six months ago, its chairman Gavriil Popov aired at a news conference his concept of Russian society's present state of affairs. He believes political forces are rapidly polarizing and that while anti-reformists are united democrats are still squabbling among themselves. He foresees a flareup of civil confrontation because "basic issues are still unresolved."

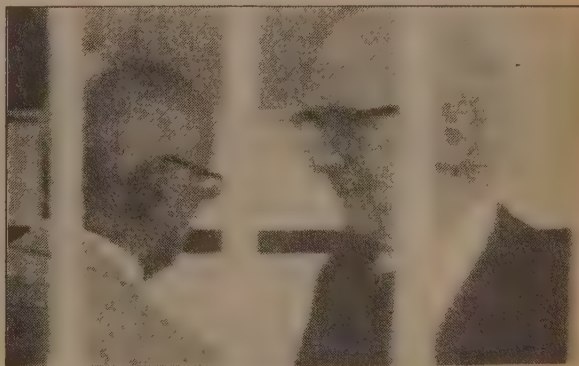
■ Having taken over from Gagik Arutyunian, who stays on as Vice-President, Armenia's new Prime Minister Khosrov Arutyunian certainly faces a great ordeal as the power and transport blockade have paralyzed the economic setup, while soaring prices have driven the population to the brink of poverty.

■ Currently CIS residents lack not only cash and cheap sausage, but also news, as some CIS states are blocking Moscow broadcasts with their own programmes. Realizing that common news broadcasting is far more complicated and painful than delineating frontiers, representatives of nine former Soviet republics plan to set up a common television and radio broadcasting company. There is reason to believe that when the related agreement and company charter are endorsed at a summit in Bishkek, more countries may join.

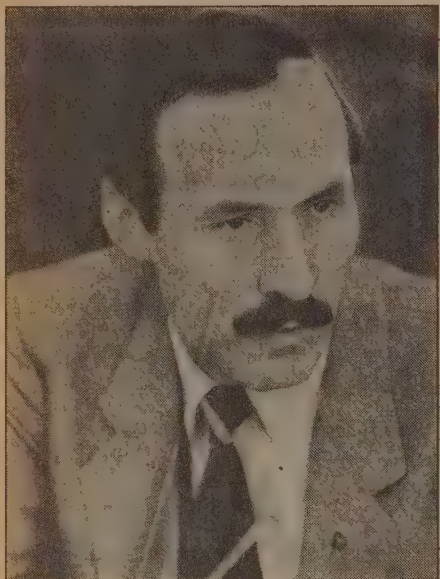


■ Shevardnadze appears to have no intentions of resigning, though this was rumoured, when at a meeting of the State Council in Tbilisi he said that were this body to use force to settle differences with opponents in Western Georgia and Abkhazia he would never agree to act as dictator. Opponents in Mingrelia and in Abkhazia are exploiting the circumstance that the State Council is not a legitimate body, which Shevardnadze himself admits. With tensions now running high, Shevardnadze will hopefully manage to cut through the present Gordian knot.

■ GDR ex-chief Erich Honecker has finally left the Chilean Embassy in Moscow after seven months there, where he was given refuge by the Ambassador, whom Honecker in his time had afforded asylum in the GDR when Chile was under Pinochet. At Tegel airport in Berlin he was given a mixed welcome with "Free Honecker" streamers and shouts of "Murderer!" In Berlin Honecker is to face trial.



■ Recalling a previous *New Times International* issue, note that nowadays matches are used as small change in Vitebsk, world famous as the birth place of Marc Chagall. Fifty-kopek boxes of matches are accepted by both sellers and customers.



Ramazan Abdulatipov:

"Perhaps Moscow will have to recognize the Chechen Republic"

New Times reporter **Galina Kovalskaya** talks with **Ramazan Abdulatipov** about the prospects for development of nationalities and Russia's policy on this problem

New Times. Pessimists predict that Russia will break up just as the Union did. You usually express confidence that Russia will remain as an integral state. What feeds your optimism?

Ramazan Abdulatipov. At the 1st Congress of People's Deputies I said that Russia was not quite a federation. It can be considered 20 percent a federation. Basically, it is a unitary state which was formed over centuries.

Trying to draw up the future national state system for Russia we have always had a union model before our eyes. When work on a federal treaty had been started about 30 drafts were offered, and all of them implied concluding a federal treaty: the state is made up of parts, and then it adopts a constitution. However, we gave this idea up.

There was no need to create Russian statehood anew, for it has roots going back 1,000 years.

It can be considered that Union statehood appeared in 1922 and ceased its existence in 1991. However, all of us — Abdulatipov, an Avar, Khasbulatov, a Chechen, or Sheinis, a Jew — have our roots in Russia, and no "withdrawal" from it is possible.

NT. What then about the right of nations to self-determination?

R.Ab. Those who appeal to this right refer only to one document, the Declaration of Human Rights of 1948. Indeed, the document states this inalienable right of every nation. However, the UN Charter should not be forgotten either. It says that the right of nations to self-determination should not impair the territorial integrity of a

At the 1st Congress of People's Deputies of Russia the Communists of Russia faction nominated Ramazan Abdulatipov to the post of First Deputy Chairman of the Supreme Soviet (parliament). However, Ruslan Khasbulatov was elected to this post in a tight contest. Since then Abdulatipov's attitude to his former rival has been not simply loyal but one of reverent respect.

A physician by education, doctor of philosophy and former sector head in the Party's Central Committee Department for Inter-Ethnic Relations, Ramazan Abdulatipov enjoys a reputation as a champion of the old party structures of the former Union. He remains faithful to communism, and has joined the Socialist Working People's Party, known as the *Roi Medvedev* party.

In the conflict situations which often arise in the parliament during confrontations between Russia and its autonomous republics, the most acceptable compromises are usually proposed by Abdulatipov as Chairman of the Soviet of Nationalities, one of the two chambers of the parliament. The latest example was a sharp conflict that broke out at the 6th Congress of People's Deputies over the name of the state. When the situation had reached an impasse he proposed its present name — Russian Federation/Russia. This probably explains why of the notorious "six," who came out against Yeltsin early in 1991, Ramazan Abdulatipov is the only one who has retained his post and influence till this day.

state. Otherwise, the United Nations would not be able to exist as an international organization. What multinational state would join the UN if there is a risk of this state falling apart?

NT. What is the role of a federal treaty in this case?

R.Ab. Only one question became the subject of a federal treaty, the one on the division of powers between federal and local authorities. In general, both separatists and unitarians opposed the idea of a treaty. Our democrats Shakhrai and Rummyantsev claimed that a federal treaty was likely to result in a breakup of Russia. In the autumn of 1990, when I talked about the need for a federal treaty, Shaimiev and Zavgayev were prepared to sign it on behalf of the Tatar and Chechen republics respectively. There was a chance then to include them in the federation quietly.

Our federation has not been formed by a treaty alone. It has been formed by a treaty and constitution, with the treaty being part of the constitution. But our unitarians fear the very word "treaty." While the symbol, the moment of trust, is important here for republics.

NT. Why were the separatists displeased?

R.Ab. The extreme nationalists wanted their republics to exist independently of Russia. Others objected to the fact that the treaty was concluded both by republics and purely administrative units — territories and regions. I regard the compromise achieved on this question a big success. The treaty envisages different levels of the devolution of powers depending on the initial status of one or another territory. Ukraine adopted our experience in defining the status of the Crimea. Moldova is also studying it.

NT. In our country few parties feel ob-

liged to fulfil the commitments under treaties. Do you believe in the firmness of the federal treaty?

R.Ab. The division of functions of executive power must naturally become the next stage. I have sent an appropriate memo to the President and Vice-Premier Gaidar. But so far nothing has been done in this respect.

I think the new authorities have inherited the worst administrative traditions of the past: to collect as much power as possible without giving up any. I am afraid the present Russian government does not yet understand that the more powers it devolves on local authorities the more viable the Russian Federation will be.

Unfortunately, when contradictions arise between the central government and republics or regions traditional attempts are made to use force as a first reaction. If attempts fail the central government appeals to law and tries to legitimize its demands. Only if this tactic does not work are negotiations started and an agreement is reached. It should, however, be the other way round.

NT. What policy can and should Russia pursue in regards to those republics that have not joined the treaty, Tatarstan, for instance?

R.Ab. It can be said that Moscow pushed Tatarstan towards the proclamation of independence. Every mention of independence was interpreted in the capital as separatism, and every statement by extreme nationalists was declared the position of the Tatar leadership.

Before the referendum of March 21 a session of the Tatar parliament seemed ready to call for a referendum on state independence. I flew to this session and addressed it. I said that dictation from the central government as well as nationalist dictation were impermissible. I also flattered regional pride by mentioning that the economic crisis was felt in the republic to a lesser extent than in the rest of Russia and that perhaps Russia should join Tatarstan in some respects. I was given a standing ovation and the session (a rare case!) unanimously decided that the referendum did not mean the changing of borders and did not violate the territorial integrity of the Russian Federation. Moreover, the session noted in its decision that on the basis of the referendum Tatarstan was prepared to conclude a treaty with Russia on the delegation of powers — not a bilateral treaty, as planned earlier, but a treaty on the delegation of powers. The question of withdrawal was thus removed from the agenda.

In addition, the session passed a decision on two official languages (Tatar and Russian) and the rights of the Russian-speaking population. The next day I was assailed at a

session of the Russian parliament for encouraging separatism and the destruction of the state. None of my colleagues understood the true essence of what happened. It was necessary to begin talks on the division of powers without delay because the missed opportunity cannot be regained in politics.

The negotiating process is now more complicated. It should be finished, however, before Tatarstan adopts its constitution. I think that in the course of drafting a treaty we shall find a civilized way of including Tatarstan into it. A special protocol should evidently be adopted to state the right extremely important for that republic, namely, the right to take part in international organizations as an independent entity.

NT. Doesn't it seem easier to deal with Tatarstan led by Shaimiev than with the Chechen Republic led by Dudayev?

R.Ab. First of all, it would be wrong to think that Dudayev exercises undivided rule in the Chechen Republic. The struggle between various clans is occurring there. The Chechens living in the mountains came to power together with Dudayev. The other sections of the population have been ousted, and they are unlikely to reconcile themselves to this situation. Secondly, the forces which come to power in republics under democratic slogans are much less governable from Russia than what are called conservative forces. The latter have at least the instinct of adherence to Russia, whereas the new authorities are more inclined to establish ties with the international community.

NT. What about the Chechen Republic then?

R.Ab. I think that an agreement can be reached with Dudayev too. However, we must negotiate with Dudayev without pretending that he does not exist. At the session of the parliament which repealed the state of emergency imposed by President Yeltsin I told him that he should have first phoned Dudayev. How can Moscow deny recognition when Dudayev exercises real power in the Chechen Republic?

It seems things have gotten rolling now. Experts are working and consultations are taking place. But there are two or three main questions which can be decided only at a government level, and no experts can help. Together with or separately from Russia? If separately, then what kind of relations shall we have?

NT. Do you think Russia might recognize the independence of the Chechen Republic?

R.Ab. I repeat that time has been lost. Perhaps Moscow will have to recognize the Chechen Republic, and not because I

welcome this, but in order to avoid a full-scale war in the North Caucasus. Let us not forget the amount of arms which have accumulated there. I am surprised that Russian officers, from whom arms were taken away on a mass scale (or perhaps they gave them up deliberately), bore no penalty and were promoted. But this concerns not the Chechen Republic only.

NT. Do you foresee national conflicts in Russia itself?

R.Ab. As a matter of fact, the entire North Caucasus is a zone of potential conflict — from the Stavropol Region, where relations between Cossacks and non-indigenes are aggravating, to the Dagestan-Azerbaijan border, where contradictions between Lezghins and Azerbaijanians have been brought into the open.

The most dangerous region comprises the Chechen Republic, Ingushetia and Ossetia. Cossacks and mountaineers live there, and territorial disputes are brewing. We shall be reproached more than once for adopting a decision on the formation of the Ingush Republic. However, we were compelled to do that. It was necessary to decide in some way the destiny of a people without statehood. Sharp conflicts in the struggle for power are likely to arise within the Ingush and Chechen republics.

Besides, there is an acute socio-economic crisis there. Mass unemployment appeared in the Caucasus long ago. With a high density of population in certain areas, this leads to a rivalry between people, especially with the expectation of land privatization.

NT. What can be done to avert an explosion?

R.Ab. The regions should be allowed, with the participation of various national movements, to work out their own model and rate of privatization. I was labelled as a conservative for opposing the purchase and sale of land. How can I explain to a deputy from Chelyabinsk or Novgorod that in my native district, for instance, there are only 35 hectares of arable land. Today someone can easily buy it for 35,000 dollars. What will my countrymen do then? One model is needed for Dagestan, where there are unique wide-open pastures, and another in Karachayev-Cherkessia, where the interests of Cossacks and the indigenous population should be taken into account. No ready-made model for local self-government should be imposed on them. Of course, it should be within the confines of the law, but the law must also be flexible enough and also admit for traditional forms of self-organization.

Isn't it time to open the umbrella?

The more time elapses from the Munich meeting of the Great Seven, the more prominent become two approaches to economic aid for Russia. They have manifested themselves, in particular, in the differences between the attitude of the US administration, supported by most West European governments, and that of the International Monetary Fund. These differences are all the more unexpected since the USA and Western countries in general are known to have dominant positions in the IMF, which makes the dispute more like an insider dialogue, a dispute with oneself. The US Ambassador to Russia, Robert Strauss, an experienced elderly millionaire, a Democrat yet George Bush's personal friend, who is considered a "personification of American capitalism," also took part in the debate. In his interview to *The Washington Post* he unambiguously warned against delays in granting Russia the promised international aid of 24 billion dollars, including the share that depends on the IMF, whose position seems practically nonproductive to Strauss.



Indeed, the implacable "financial technocrats" from the IMF administration are not in a hurry to give out even one billion dollars the IMF Managing Director, Michel Camdessus, promised Yeltsin as an "advance" before the Munich meeting.

The Fund continues to insist on cutting Russia's budget deficit down to 5 percent of its GNP, reducing by 50 percent subsidies for unprofitable enterprises and social expenditures, as well as on the speediest unfreezing of prices on energy carriers. A compromise to that effect between the Russian leadership and the IMF administration had been reached before the Munich meeting, but now, according to the press, prospects for such a compromise are very obscure. The voting in the Fund's Board is to take place this August, and some of its members ask why the IMF should make concessions to Russia which, for all its present difficulties, has better chances to cope with financial problems than the Fund's traditional clientele. As noted by the BBC, the IMF spokesmen said that if the Fund makes concessions for the Russians, this will enable some Asian, African and Latin American countries to demand similar privileges, which would endanger the Fund's rigid financial policy vis-à-vis the Third World and the entire system of relations between North and South, in general.

Could it be thought that this system stands in need of being improved, given the endless famine in Africa and such phenomena as "shadow zones" and "black holes," say, in the African Horn or Colombia, brought about by poverty and anarchy? For all the difference in the situation, doesn't it remind one about the real risk the delay in extending the promised aid to Russia entails? The more so as this aid is symbolic to a certain degree and is important not as such, but rather as a sort of umbrella promoting the

policy aimed at a convertible ruble and Russia's integration into the world economy.

It's clear that no umbrella is wanted after the rain. The recent developments show that not only rains, but hails may fall on Russia. It's not by chance that soon after it transpired that the formation of the ruble stabilization fund was being delayed the growing ruble exchange rate once again sharply fell late in July. This coincides with the aggravation of the economic situation in Russia which, in turn, leads to the deterioration of the political situation. Those affected by economic reforms side ever more increasingly with the ultranationalists. The radical patriots team up with successors to the communist ideology to form a single anti-reformist front, thus gaining wide social support, which spells problems for the pro-reform government. In this context the further tightening of belts for the sake of a self-supporting budget and unavoidable sharp price hikes in case of an abrupt unfreezing of oil prices could drastically destabilize the situation and endanger the position not only of Gaidar, but even of Yeltsin.

It is worth mentioning, however, that this destabilization threatens not Russians alone, especially if one takes into account the nukes still stationed in Russia. The much acclaimed new Russian-American agreement on the radical reduction of these weapons will have much less chances to be ratified if the "umbrella" fails to "open." One can't deny wisdom to State Secretary Baker who has recently warned American moneybags that if they grudged millions today, they might have to spend thousands of billions on a victory in a cold war tomorrow.

But is it a matter of stinginess alone? Any lingering not only over the promised aid but also over the cancelling of discriminatory restrictions inherited from the Cold War give rise to suspicion. Russia's Minister of Foreign Relations, Pyotr Aven, one of the most pro-Western figures in the Russian leadership, believes that Western bureaucracy is interested in the preservation of these restrictions. But is it only them? There are grounds to believe that they are supported by very influential forces who intend to use the current hardships in Russia in order to make her one of the Fund's traditional clients in the Third World. And this would lead to a new cold war.

However, a new war would hardly be just a repetition of the old one — dangerous, ruinous, yet controlled and, in a way, orderly. The developments in the Caucasus and in the Balkans show that now it's a question not of a bipolar confrontation, but of a "war of all and against all" which is much more difficult to stop, let alone win. Everyone would come off the loser, especially those having something to lose.

If the said Ambassador Strauss is to be believed, Monsieur Camdessus and his organization are aware of how difficult it is for Russia to comply with the Fund's provisions and of the dangers involved. So, maybe, this will eventually prompt them to help open an umbrella over Russia without waiting for the rain?

Dmitry Volsky

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"Strangled in a fight with Cheka men"

Yaroslav Trushnovich of the Popular Labour Alliance (NTS), son of Dr Trushnovich who was kidnapped by Soviet KGB agents in 1954, receives documents – though not all of them – about the death of his father

I left Moscow on February 10, 1934, at the age of 12 and, working in the Popular Labour Alliance (NTS) for many years I hoped to come back to it some day, but certainly not in connection with such a sad event as the kidnapping of my father.

A great deal has been written about this case, in your magazine too (see No. 18/92). My father, Alexander Trushnovich, was kidnapped by Cheka men from the British sector of West Berlin on April 13, 1954. He was a member of the NTS Council, head of the Russian Refugee Aid Committee in Berlin and co-chairman of the Free Union for Russian-German Friendship formed as a counterbalance to the Soviet-German Friendship Society. The committee was widely known in the German Democratic Republic both to Russians and Germans. Members of the Free Union for Russian-German Friendship openly said that the USSR was not Russia and that Russians should not be associated with Communists. The Russians were the first victims of the communist regime hated by them.

All this annoyed Soviet leaders, who thought that counter-measures needed to be taken. But what kind? It was not difficult to kill an opponent in those years, but that was not enough. It would be better to kidnap a man and, having brainwashed him, to compel the victim to write and talk in a way the Communists wanted to.

The kidnapping of my father stirred up anger and protests. But until recently the Soviet authorities kept silent. A breach in the wall of silence was made by the Alexander Trushnovich Public Committee formed in Moscow last September, shortly after the old regime collapsed. Its chairman Mikhail Gorbanevsky talked at Lubyanka with Col. Alexei Kondaurav, who admitted that Cheka men kidnapped Alexander Trushnovich from the British sector of West Berlin. The colonel, a former employee of the KGB's Fifth Directorate, promised to hand over vast material on the case without delay.

But delay did happen, as if someone in the grey shouted at the colonel from the dark: "How could you make such promises?" The committee was told: "It is difficult to find the dossier because it was misplaced, it is kept not

in the archives of the department responsible for assassinations and abductions which operated on our (Soviet) territory, but in the archives of the department which carried out such operations abroad."

If Russian independent newspapers had not exerted pressure by publishing several articles on the case the officials concerned would have been "looking" for it till now.

On July 17, in the presence of newsmen and TV reporters, Yuri Kobaladze, head of the Press Bureau of Russia's External Intelligence Service, handed the material over to me ("as the heir," he said) and to representatives of the Alexander Trushnovich Public Committee. The vast material about which Col. Kondaurav spoke consisted of eight sheets of paper: a medical certificate saying that A. Trushnovich was strangled in a fight with Cheka men and that attempts to revive him did not succeed; a medical report on post-mortem examination, and a rough drawing indicating that the body of A. Trushnovich was buried in a small fir-grove near villages (names given) not far from Frankfurt an der Oder.

The xeroxed copies of the material did not have signatures, stamps or any documentation that would guarantee its authenticity and explain why some parts of the originals had been covered with a piece of paper before copying. Yuri Kobaladze also handed over the notebooks my father had by him that evening.

I am not satisfied with the amount of material handed over to me. I am not satisfied either with the words of Yuri Kobaladze, who said with offence in his voice that A. Trushnovich snatched out his pistol and "a scuffle naturally began." It was not a scuffle, Mr. Kobaladze, but an attempt to resist Cheka-men (seven agents, as the German police established later). My father fired back at them, but he failed: the bullets were discovered on the floor. I am satisfied, a little, that my father returned the fire. The former commander of a machine-gun company in the 3rd Kornilov regiment died with a gun in his hands, if it is true that he died precisely at that time, and not much later.

There are grounds to believe that my father was merely put into the ground in Russia, not



Alexander Trushnovich. Will his son learn the whole truth?

buried in a grave. When Alexei Kondaurav met with former KGB Captain Nikolai Khokhlov (see the article in no 21/92) the latter said he was ready to go with me and show me the burial site.

Highly disturbing is Yuri Kobaladze's statement that he could not reveal the names of the agents who took part in the abduction because, as he said, no intelligence service does that. This is incorrect. Foreign intelligence services have the statute of limitations. After the term expires names are divulged and information is declassified. Perhaps some names cannot yet be made known. The Western press writes with indignation about the industrial espionage conducted by Soviet intelligence agents. But what about the names of "comrades" from the department of assassinations and abductions? They cannot be revealed either, it seems. Does anyone think these "comrades" might still be needed for the secret service? We shall insist on a real, not a show transfer of documents.

I am glad to note the role of the free press, without which many things, even the scanty transfer of documents, would never be possible today in our country. During the campaign for the return of documents my colleagues were told more than once: let the son of Alexander Trushnovich come here for two or three days and leave right away so that the material could be handed over "quietly," without exciting "unhealthy emotions" in the press. The "have-beens" fear the independent and honest voice which is also a hallmark of our times.

Yaroslav Trushnovich

DOSSIER

Instructions on the taxation of the profits and income of foreign legal entities

I. General

1. The income tax shall be levied on companies, firms and other entities (including partnerships) set up in accordance with the legislation of foreign states (hereinafter referred to as "foreign legal entities"), which engage in entrepreneurial activities on the territory of the Russian Federation and/or on the continental shelf or in the economic zone of the Russian Federation through their permanent representations.

Those foreign legal entities which derive profits not related to the activities which they undertake in Russia through their permanent representations shall be taxed only in respect of profits derived from sources within the Russian Federation.

2. The provisions of the present instructions shall not apply to sole proprietorships whose owners are subject to the personal income tax payable at the rate and in accordance with the procedure set out in the Instructions of the State Tax Service of the Russian Federation No. 8, of March 8, 1991 "On the Application of the Law of the Russian Federation 'On the Personal Income Tax.'"

For the purposes of taxation in accordance with the present instructions, the owner of a sole proprietorship shall be defined as a foreign natural person who is the sole owner of any economic entity whose profits are not subject to the corporate income tax or other similar taxes in its country of origin or registration, which should be confirmed by the tax agency of the country of which its owner is a citizen.

3. The profits which are derived by a foreign legal entity from the operation of casinos (including profits from the leasing out and other forms of use thereof) and video salons (exhibition of videos), from the rental of video and audio cassettes and video and audio recordings, from the operation of gaming machines with money prizes,

and from the staging of large-scale concerts and theatrical entertainment shall be taxed at the rate of 70 and 50 percent in accordance with Section IV of the Instructions of the State Tax Service of the Russian Federation No. 4, of March 6, 1992 "On Procedures for Assessment and Collection of the Tax on Income of Enterprises and Organizations," and shall be tax-deductible in respect to the tax on income of foreign legal entities.

The profits which are derived by a foreign legal entity from banking operations and transactions, as well as from insurance activities, shall be taxed at the rates of respectively 30 and 25 percent in accordance with the Instructions of the State Tax Service of the Russian Federation No. 10, of April 7, 1992 "On Procedures for Taxation of Profits of Banks" and No. 9, of March 26, 1992 "On Procedures for Assessment and Collection of the Tax on Profits from Insurance Activities" and shall be tax-deductible in respect to the tax on income of foreign legal entities.

4. For taxation purposes, foreign legal entities shall account separately for their profits and expenses associated with mediatory operations and transactions.

Mediatory operations and transactions shall be understood to include those activities which a foreign legal entity undertakes when it acts as a factor under a contract of commission or an agent under a contract of agency.

The legislation in force defines an agent as a person who, under a contract of agency, undertakes for a consideration the performance of specified legal actions in the name and for the account of the principal, whereas a factor is defined as a person who,

under a contract of commission, undertakes for a consideration the execution of one or several transactions in his own name and for the account of the principal, at the order of the principal.

For the purposes of taxation of income, the following activities shall not be treated as mediatory activities: purveyance activities, input-supply and product-marketing activities and trade activities (with the exception of trade on a commission basis).

II. Taxation of income derived by foreign legal entities from activities undertaken in the Russian Federation through their permanent representations

5. Every foreign legal entity which engages in activities in the Russian Federation through a permanent representation shall register with the tax authority at the location of its representation irrespective of whether or not its operations will be deemed liable to taxation in accordance with the provisions of the present instructions.

Failure to register shall be treated as concealment of income with the object of tax evasion.

6. For taxation purposes, the permanent representation of a foreign legal entity in Russia shall be defined as a bureau, office, agency or any other permanent place used by the foreign legal entity for the regular conduct of activities (related to representing its own interests or the interests of other legal entities, developing natural resources, performing work under contract to construct, erect, install, assemble, adjust and service equipment, operating gaming machines, and performing other activities) enabling it to derive profits in the Russian Federation or abroad, as well as any other organizations and individuals authorized by the foreign legal entity to represent it in the Russian Federation, with the exception of

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cases provided for in clause 9 of the present instructions.

7. For taxation purposes, it shall be irrelevant whether or not a foreign legal entity has permission to open its permanent representation (has been granted accreditation) in the Russian Federation or has been permitted to prolong the time of operation thereof.

8. The tax on the income of a foreign legal entity shall be assessed by the tax authority at the place of registration of its permanent representation.

9. Should a foreign legal entity conduct operations in the Russian Federation through an intermediary, it shall not follow that the former entity has a permanent representation in the Russian Federation.

10. Should a foreign legal entity which has an interest in an enterprise with foreign capital participation, in addition to discharging its obligations, set out in the articles of organization of the above enterprise (which obligations are discharged by the foreign legal entity on behalf of the enterprise), engage in other activities in the Russian Federation on its own behalf (in the interest of the enterprise or other legal entity or in its own interest) and through its permanent representation, it shall also be subject to the income tax. For example, the activities of a foreign legal entity which has an interest in an enterprise with foreign capital participation shall be considered as being conducted through its permanent representation insofar as they relate to the representation, on the territory of the Russian Federation, of the interests of third parties by its employees. In this case, the foreign legal entity shall register its permanent representation in accordance with established procedures.

11. In applying the provisions of the tax treaties which the USSR and the Russian Federation concluded with foreign countries, and which set out tax incentives with respect to profits derived from construction and installation work, the following shall be taken into account.

In determining the length of time during which a construction project is implemented, it shall be understood that, for taxation purposes, the construction site is considered to exist from the date of the signing of an act transferring it to the contractor; that the taxable activities on the construction site are considered to terminate on the date of the signing of a protocol on putting the facility in operation; and that the construction site is considered to exist when

activities on it are suspended (for example, owing to the time of the year).

12. The taxable amount of income of a foreign legal entity shall include revenues from the sale of products (provision of services, or performance of work) less the value-added tax and excise taxes, revenues from the sale of other tangible assets, and profit on non-sale transactions, from which shall be subtracted those expenses which are directly related to its activities in the Russian Federation through its permanent representation, including managerial and general administrative expenses incurred both in Russia and abroad.

In assessing the income tax, the amount of tax-deductible expenses shall be determined in the same manner as in the case of enterprises which are legal entities in accordance with the legislation of the Russian Federation, i.e. on the basis of "Rules on the composition of expenses incurred in the production and sale of products (services or work) to be recorded as costs thereof" and "Rules on the procedure for reporting the results of financial performance to be used in taxation of income," which are drawn up by the government of the Russian Federation with the approval of the Supreme Soviet of the Russian Federation.

Pending approval by the government of the Russian Federation of the above rules, foreign legal entities shall be guided by "Fundamental provisions on the composition of expenses to be included in the cost of products (services or work) by enterprises in the USSR," which was approved by the State Planning Committee of the USSR, the Finance Ministry of the USSR, the State Committee for Prices of the USSR and the State Statistics Committee of the USSR on November 30, 1991 (No. B-7-, 133 01-17/2616, 17-24/10-69), incorporating the amendments and additions submitted by the USSR Ministry of the Economy, the Finance Ministry of the USSR and the State Statistics Committee of the USSR on August 20, 1991 (No. B-139/3-23) and brought into force by a circular letter of the Finance Ministry of the USSR, dated September 6, 1991 (No. 51).

13. In computing the amount of taxable income, the following special provisions shall apply:

a) The tax shall apply only to that portion of income of a foreign legal entity which has

been derived from operations in the Russian Federation. The tax shall not apply to the income of a foreign legal entity from those foreign trade transactions concluded exclusively in the name of the foreign legal entity and involving the purchase of products (services or work) in the Russian Federation or the export of products (services or work) to the Russian Federation (including barter transactions), in the course of which the foreign legal entity, according to the legislation of the Russian Federation, assumes title to the products (services or work) before they cross the state border of the Russian Federation, with the exception of income derived from the sale of products from warehouses on the territory of the Russian Federation that are either owned or leased by the foreign legal entity.

b) Should a foreign legal entity conduct its operations both in the Russian Federation and elsewhere, and should it not account separately for activities carried out through its permanent representation in the Russian Federation, which makes it impossible to determine the amount of this income, the amount thereof may be estimated on the basis of calculations which shall be made by the taxpayer and shall be approved by the tax authority which controls its payments to the budget.

Such calculations shall proceed from one of the following ratios, with selection to be made on a case-by-case basis:

— the share of the gross revenues from the sale by the foreign legal entity of products (services or work) in the Russian Federation in its overall gross revenues from all operations;

— the share of expenses incurred by the foreign legal entity in connection with its operations in the Russian Federation in its overall expenses;

— the share of personnel employed by the foreign legal entity to carry forward its activities in the Russian Federation in the overall number of its personnel.

c) Those foreign legal entities which derive profits not in the pecuniary form, but in kind (in the form of products or property) shall pay income taxes on the basis of world market prices for the same or similar products or property. If the tax authority does not have information on the level of these prices at its disposal, it shall contact the local representative of the Committee for External Economic Ties.

d) should it be found impossible to directly determine the income derived by a foreign legal entity from its operations in the Russian Federation (as stipulated in

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clause 13), the tax authority shall have the right to calculate it on the basis of the gross profit earned or expenses incurred by the foreign legal entity, in which case the tax authority shall proceed from the statutory rate of profitability of 25% (according to the so-called indirect method of computing the income tax).

In this case, expenses, no matter where they are incurred, shall include both the expenses of the foreign legal entity's office (bureau) in Russia and the expenses incurred by this foreign legal entity abroad, which are directly connected with its operations in the Russian Federation. The expenses shall be computed in accordance with the rules defined in clause 12 of the present instructions.

14. Given the fact that not all income of a foreign legal entity may be subject to taxation in the Russian Federation, the relative importance of taxable income shall be computed indirectly. The following ratios shall be used for these purposes with the concurrence of a representative of the foreign legal entity:

- the relative importance of the expenses incurred by the permanent representation of the foreign legal entity in connection with activities which generate profits subject to taxation in the Russian Federation in the overall expenses of the foreign legal entity incurred in connection with activities in the Russian Federation that are carried out through the permanent representation thereof;

- the relative importance of the profits from activities which generate profits subject to taxation in the Russian Federation in the overall profits derived by the foreign legal entity from the activities carried out through its permanent representation.

The tax authority shall officially notify the permanent representation of the foreign legal entity in the Russian Federation about the method it has chosen for the computation of taxable income. The method of computing taxable income may be altered in the future only when there are sufficient grounds to do so.

15. The requirement to eliminate double taxation in accordance with Article 13 of the Law of the Russian Federation "On the Taxation of Income of Enterprises and Organizations" shall not apply to foreign legal entities which derive profits from activities in the Russian Federation.

16. In computing the amount of income taxes payable, taxable income shall be reduced by the following sums of money:

- a) amounts of profit expended in the Rus-

sian Federation for retrofitting, reconstruction and extension of production capacities in the oil and coal industries; commissioning of new production capacities therein; production of medicines, food products and consumer goods (in accordance with lists compiled by the government of the Russian Federation); production of medical equipment and equipment for processing food products - provided that the above tax incentives do not result in the amount of income taxes, computed without taking account of the tax rebates, being reduced by more than 50%;

- b) 30% of capital outlays for nature protection measures in the Russian Federation;

- c) philanthropic contributions made in the Russian Federation (including those related to the implementation of programs for the social protection of servicemen who are retired to the reserve), contributions to environmental protection and health care foundations; non-governmental organizations of disabled persons, and religious associations registered according to established procedures, as well as the sums of money transferred to enterprises, institutions and organizations in the areas of culture, education, health care, social security and sport - provided that these payments do not exceed 2% of taxable income.

Bodies of state administration of republics within the Russian Federation and other territorial and administrative units may provide further income tax relief with respect to the sums of taxes which accrue to their respective budgets.

17. The income of foreign legal entities which carry out activities in the Russian Federation through their permanent representations shall be taxed at the rate of 32%. Their income from mediatory activities shall be taxed at the rate of 45%.

18. Foreign legal entities which carry out activities in the Russian Federation through their permanent representations shall, not later than the 15th of April of the year following the accounting year, present to the tax authorities at the place of registration of their permanent representations a report on the nature of their operations in the Russian Federation (compiled at their own discretion), as well as an income declaration.

Should a foreign legal entity discontinue its operations before the end of a calendar year, the aforementioned documents shall

be presented within a month of the date it goes out of operation.

19. Should a foreign legal entity have several permanent representations registered in the Russian Federation for taxation purposes, an income declaration shall be presented to every tax authority on whose territory a permanent representation of the foreign legal entity has been registered.

20. Foreign legal entities which carry out activities in the Russian Federation through their permanent representations shall also, simultaneously with the presentation of a report and an income declaration, submit to the tax authorities a report of an appropriately licensed auditor on the authenticity of data in the declaration or a contract with an auditor, concluded not later than the 15th of April of the year following the accounting year.

The report of an auditor shall be presented to the tax authority within a year after the end of the accounting year, but not later than 10 days from the date of the audit.

Failure to present an auditors' report (contract for provision of auditing services) to the tax authorities shall constitute due grounds for bringing the taxpayer to justice according to established procedures.

21. All types of profits and expenses shall be reported in rubles in the declaration. Profits in foreign exchange shall be converted into rubles at the ruble's market exchange rate quoted by the Central Bank of the Russian Federation on the date when these funds are deposited in the account or cashier's office of the foreign legal entity or its permanent representation in the Russian Federation. Foreign exchange expenses shall be converted into rubles at the ruble's market exchange rate quoted by the Central Bank of the Russian Federation on the date they are effected.

22. Income taxes payable shall be computed by the tax authority in rubles and paid by foreign legal entities out of their bank accounts in rubles or, at the taxpayer's discretion, in foreign exchange, which is purchased by Russian banks and converted into rubles according to the ruble's market exchange rate quoted by the Central Bank of the Russian Federation on the date of payment of taxes. Payment of taxes shall be made within the time limit prescribed in the payment notice.

The taxpayer shall be served with a notice specifying the amount of income taxes payable. The counterfoil of the payment notice shall represent the basis for making entries in the ledger. The payment of income taxes shall be recorded on the face of the payment

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notice by means of the entry "Tax paid by foreign legal entity" in the box "Type of payment."

The time allowed for payment of taxes in the payment notice shall be one month from the date of issue.

Should the amount of taxes paid exceed the amount actually payable, the excess shall be accounted for as prepaid taxes or returned to the taxpayer by the tax authority within ten days of the date of receipt of its written request.

The amount of taxes paid shall be placed into the budget in accordance with the procedures defined in the law of the Russian Federation "On the Fundamentals of the Tax System of the Russian Federation."

III. Taxation of income derived by foreign legal entities in the Russian Federation not related to activities undertaken through their permanent representations

23. The tax on the income of foreign legal entities which do not have a permanent representation in the Russian Federation and derive profits from sources therein shall be withheld at the source.

Profits from sources in the Russian Federation shall be understood to include dividends (including shares of the distributed income of enterprises with foreign capital participation in the Russian Federation), interest revenues, profits from patents and licenses, freight revenues, rent revenues, profits from managerial services, and other profits which are connected with the provision or utilization in the Russian Federation of services, of any kind, but which do not arise from activities undertaken in the Russian Federation through permanent representations.

The sums of freight revenues accruing to foreign legal entities as a result of the provision of sea, air, railway and road transportation services, as well as other types of international transportation services, shall be taxed at the rate of 6%; dividend and interest revenues shall be taxed at the rate of 15%; and other profits shall be taxed at the rate of 20%.

24. The tax on the profits derived by a foreign legal entity from sources in the Russian Federation shall be withheld by the enterprise providing the profit to the foreign legal entity, and shall be levied in

the currency of the profits on the entire sum thereof. The tax shall be levied every time the payments constituting the profit are remitted to the foreign legal entity, and shall be paid into the budget in accordance with the procedures defined in the law of the Russian Federation "On the Fundamentals of the Tax System of the Russian Federation."

IV. Special Provisions

25. Should an international treaty concluded by the USSR or the Russian Federation set out rules other than those stipulated by the present instructions, the rules of the international treaty shall prevail.

The texts of international tax treaties are to be found in the series "Effective Intergovernmental and Interstate Treaties of the USSR with Other Countries in the Area of Taxation," which were published by the Finance Ministry of the USSR.

26. To be granted tax reliefs, a foreign legal entity shall present an official document to the State Tax Service certifying that the foreign legal entity has its permanent headquarters in a country with which the USSR or the Russian Federation has signed an intergovernmental (interstate) agreement on taxation matters.

27. A document certifying that a foreign legal entity has its permanent headquarters in a country with which the USSR or the Russian Federation has signed an intergovernmental (interstate) agreement on taxation matters may be presented to the tax authorities both prior to payment of taxes, and within a year from this time. In the first case, a foreign legal entity which is entitled to tax relief shall submit three copies of an application to the State Tax Service, whereupon the tax authority shall make a note on one of the copies thereof, which shall constitute due grounds for enterprises, associations and organizations which are legal entities according to the legislation of the Russian Federation, and which are the source of the foreign legal entity's profit, to pay a smaller amount of taxes or no taxes at all.

The application shall be filed annually. Should a foreign legal entity apply for reimbursement of taxes paid in excess of

actual tax liabilities, the tax authorities shall consider the application and effect the reimbursement through banks or other financial intermediaries. Applications submitted after more than a year from the date of receipt of profit shall not be considered.

28. The provisions of the present instructions shall not encroach upon the tax privileges stipulated by the universally accepted standards of international law and by special agreements concluded by the USSR and the Russian Federation with other states on taxation matters.

29. Agreements and contracts may not contain clauses under which a legal entity organized in accordance with the legislation of the Russian Federation or a foreign legal entity assume the responsibility for discharging other taxpayers' tax liabilities.

V. Duties and responsibilities of taxpayers. Control by tax authorities

30. The duties and responsibilities of taxpayers, as well as the exercise of control over compliance with the provisions of the present instructions by tax authorities shall be regulated by the Law of the Russian Federation "On the Fundamentals of the Tax System of the Russian Federation" and other legislative acts.

The provisions of the present instructions shall apply to the profits derived in 1992 by foreign legal entities from activities conducted in the Russian Federation through their permanent representations, and to the profits derived by foreign legal entities from sources in the Russian Federation since January 1, 1992.

In connection with the issuance of the present instructions, the instructions of the Ministry of Finance of the Russian Federation No. 16/316 of October 14, 1991 "On Special Provisions of Taxation of the Income and Profits of Foreign Legal Entities in 1991 on the Territory of the Russian Federation" shall be considered null and void as of January 1, 1992.

Head of the State Tax Service of
the Russian Federation
I.N. LAZAREV

Approved
Deputy Minister of Finance of
the Russian Federation
S.V. GORBACHEV

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Air show-92

The airfield of the Aeronautics Research Institute in the town of Zhukovsky, near Moscow, is among the largest in Europe. The German company Glawe International KG is making the final preparations there for a grand show of the world's latest aircraft, with emphasis on the products of the Russian aircraft industry. It is believed that many large companies from industrial states will send their latest aircraft for the show.

Among the aircraft to be displayed in Zhukovsky are supersonic interceptors and high-maneuvrability fighters, prototypes of passenger airliners of various capacity and range, combat and civil helicopters – over 50 models of planes and helicopters. Taken separately, they are already familiar to foreign specialists. But brought together in Zhukovsky, they will make an impressive show.

There will be super-new exhibits – the TU-160 bomber (it has not been publicly shown either in Russia or abroad), the missile carrier TU-22MZ, the aircraft missile-carrier-based fighters SU-27K and MIG-29K, and some other models produced by the aircraft industry in the process of conversion of defence enterprises. A. Batkov, president of the aircraft constructing society, told journalists that over 200 Russian associations and enterprises and more than 60 major foreign companies – business partners of Russian design offices and aircraft manufacturers – would take part in the Moscow air show-92. In particular, the

joint project to be situated in Moscow.

It is expected that an experimental model of a fusion reactor can be produced in 1998. If it proves effective, a demonstration station is to be built by 2025. The first industrial prototype of a nuclear power plant will be put into service by the middle of next century.

The agreement can become the most important example of international cooperation ever known to the world, said US Secretary of Energy James Watkins, who signed the document.

Nuclear fusion is a much more secure technology as compared with the atomic type and is practically as inexhaustible as the sun, a source of ecologically clean energy.



They're not here to make a million overnight

There is at least one organization in Russia which is attempting something other than making a million overnight. It has set its sights rather on implementing realistic investment projects to attract the attention of Western companies.

The name of this non-governmental organization – Interprivatization Fund – gives a fairly clear indication as to what it does. It is promoting sweeping privatization of state property in the Commonwealth while attracting private foreign capital into the restructuring of the national economy.

Interprivatization has already managed to establish liaisons with 30 large Russian and foreign commercial banks, and over a hundred Russian leading concerns, along with some influential Western companies.

The objective of the fund is to minimize risks faced by foreign investors and create a favorable climate for the comprehensive implementation of joint investment projects. Interprivatization has at its disposal the necessary specialists, information services, business contacts, and capital –

both in rubles and in foreign currency.

Another important line of the fund's activity is helping Russian investors to profitably place their money abroad. Its offices have been opened in the world's principal business and financial centres – Zurich, Vienna, Berlin, Madrid, London, Paris, Washington and Johannesburg, as well as in Taiwan and South Korea.

To implement its projects, the fund has set up its own commercial undertakings, including an investment bank, insurance and auditing companies, a privatization consulting firm, and marketing and promotion services. Contacts have been established with the well-known US legal firm Skadden Arps, which has branches in 120 countries.

The fund has recently assisted the Ust-Kamenogorsk Lead and Zinc Smelter to convert to a corporate charter. Immediately afterwards, a protocol of intentions was signed with the German concern Metallgesellschaft to invest \$600m in the smelter.

"We will help you to say: 'Done,'" say the fund's managers when speaking to potential Western investors. This is the message the fund seeks to convey to the business communities in Japan, Singapore, and the Arab countries, with which contacts have been increasing of late. Business prospects seem sufficiently convincing for Deutsche Bank, Morgan Stanley, Credit Suisse and Bankers Trust Company, which do not just cooperate with it but are among its founding members.



NYMEX looking for partners in Russia

Ties between the New York Mercantile Exchange (NYMEX), and the Moscow Commodity Exchange (MCE) is getting closer. One clue of it is the recent visit by NYMEX bosses to Russia. This was a return visit under arrangements for the annual exchange of specialists.

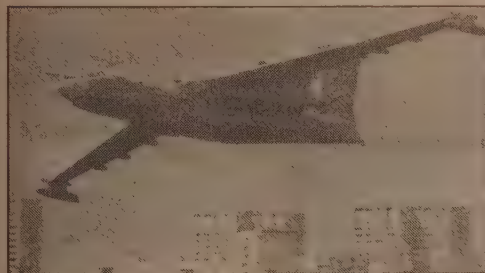
Of course NYMEX's chief interest in the Commonwealth is not exchanges of specialists and information with the MCE, but rather the possibility of finding new partners in the oil market. That is why the Americans went to the Siberian city of Nizhnevartovsk during their stay in Russia, where they visited the Nizhnevartovsk Oil Exchange and the production association Nizhnevartovskneftegaz.

When asked what he considered the most important aspect of NYMEX's activities for the MCE, Mr Jury Milyukov, co-chairman of the board of the MCE, replied that this exchange has been the world's leader in the oil trade and in oil products for a long time. The experience of this exchange, which trades in anything profitable, is very useful. Also, contacts with NYMEX represent an opportunity to become a member of the international commodity exchange community. Telephone of the MCE: (095) 188-93-56



300 new joint ventures in Russia

The average share of foreign investment in joint ventures is 45%. The largest number of joint ventures to be created over the last six months were with the US, which opened 56 operations. This was followed by Germany with 47, Canada – 13, Poland – 13, and Italy – 13. Last year saw the registration of 1,186 joint ventures, while only 300 of them have set up operations in the first half of this year. Experts attribute the decline to an unfavorable investment climate in Russia.



arrival of representatives from leading American corporations Boeing and United Technologies and the West European consortium Airbus Industry is expected.



Inexhaustible as the sun

Russia, the United States, Japan and the European Community have signed in Washington an agreement to jointly develop an experimental model of a fusion reactor.

The work is to be conducted simultaneously by the world's best physicists in three research centres, in the United States, Japan and Europe, with the headquarters of the

I'm an optimist

A map of Russia hangs in my office. I often stand in front of it and think: a huge country with inexhaustible mineral wealth, human resources and intellectual potential. I have lived in this country for four years, witnessing the process of drastic changes: fear has disappeared, the iron curtain has been demolished, the country is opening its doors to the world. A great deal of work has to be done. We feel ourselves pioneers in the renewal of this part of the world.

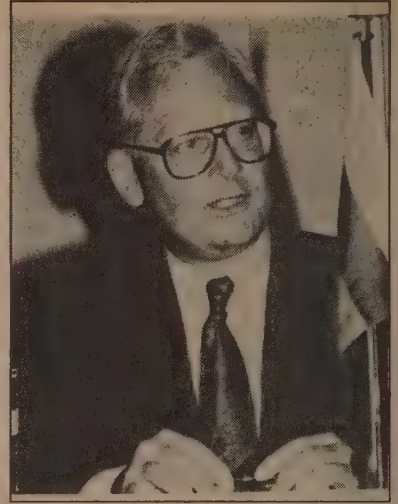
It is not a country of quick and easy money. One has to work hard here and take risks. But it pays. Siemens is not a newcomer in Russia. The company has done business here for more than 140 years. The first foreign office of Siemens was opened in St. Petersburg in 1855, when the company was building long-distance telegraph lines at the request of the Russian government. Regardless of political events our company operated in the Russian market after 1917 and 1945. Among Western companies it has the largest office in Moscow.

In June a new building of the Siemens-Medtehnika office was inaugurated in Moscow. It was an expression of our readiness to work further in this country in spite of the existing economic, financial and political difficulties. In addition to Moscow, we today have branch offices in St. Petersburg and Yekaterinburg. In the future, Siemens bureaus are to be opened in

other cities of Russia — Kemerovo, Irkutsk, Vladivostok and Samara.

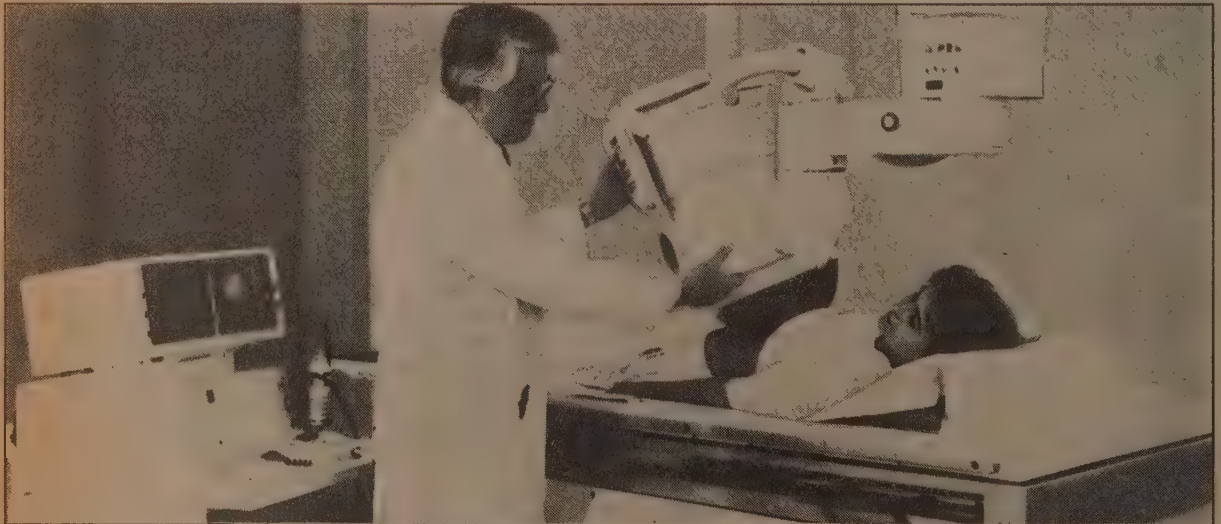
The regional strategy of Siemens AG consists in transferring the economic and financial decision-making from Moscow to other regions, first of all to the Urals, the Volga and Siberia. Since we regard this country not as an ordinary market but as a reputable and promising partner we would like to pursue here Siemens AG's traditional global policy, namely, to boost production on the spot. In doing so we shall achieve the "ripples in the water" effect, that is, more and more local enterprises will be involved as suppliers and co-producers. In the Commonwealth of Independent States we have already organized eight joint ventures: Siemens-Medtehnika provides services; in the field of power engineering we have set up Interturbo and LTS in St. Petersburg and Energoengineering in Moscow; telecommunications-Izhtel in Izhevsk and Kamatel in Perm; means of automation — Mosmatik in Moscow. In addition, the MKM Telekom has been established in Kiev. As a matter of fact, we now spend more than we earn by our participation in these joint ventures. This will last for three to five years. But we are planning and working for a longer perspective. The situation must and will improve. Patience is needed therefore.

But a number of things hinder our work. First of all, bureaucracy. Here is an exam-



ple. As a foreign company, we must be accredited, though this is not practised in other countries. One more example. Western companies are invited to take part in conversion. At the same time the authorities do not open and do not show the enterprises concerned. The consequences of this secrecy can be sad because the most precious — time — is lost. Defence enterprises have to make toys in order to pay wages to their workers. The danger is evident. Within two or three years the technical standards of these highly modern enterprises will deteriorate. It would be tantamount to a cheap sell-out.

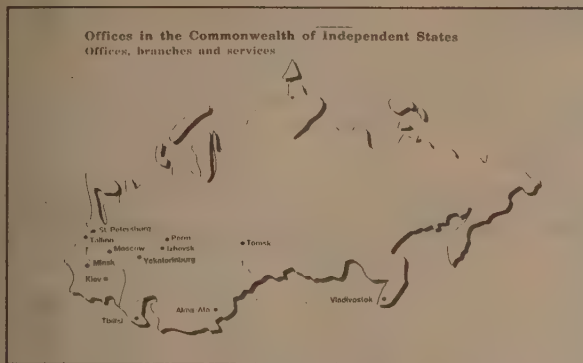
Secondly, the unsatisfactory state of public hygiene (dwellings, the spending of leisure time, hotels and telecommunications)



Siemens' high-tech medical equipment for new methods in therapeutics

SIEMENS

Offices in the Commonwealth of Independent States
Offices, branches and services



is observed acutely in many regions. The bank service does not measure up to world standards. The Vneshekonombank (Foreign Economic Bank) has virtually ceased to exist, and there are no other banks with similar experience and ties. Foreign banks have no right to substitute them. The exchange value of the DM in relation to the ruble has not yet been set.

Thirdly, the lack of legal confidence. Many laws and decrees are adopted, but there are no instructions on how to apply them. For instance, a 28 percent surplus value tax must be paid for the renting of offices and dwellings. This increases the expenditure. Large companies can pay such expenditures whereas small and medium firms are unable to. They close their offices and go to South Korea or Singapore, where the conditions for capital investment are more favourable than in Russia. The readiness, however, of precisely medium Western enterprises to take part in business is extremely necessary for Russia because they are good vehicles for Western technology and know-how. There is talk about a 60 percent tax on the highest incomes, first of all among foreigners. Experienced foreign specialists will leave Russia if such a measure is taken. Normal conditions for investment should include the right to buy land (as was promised by Yeltsin) and establish 100 percent branch companies, which is still prohibited.

Financing causes much trouble for foreign enterprises. Our partners have difficulties with foreign currency. Indeed, they have no currency, but there are raw materials — metal, aluminium and oil. Russia is a rich country. We try to help our partners by compensations, barter deals and credits. Therefore all obstacles in this field should be removed. Why introduce licences for the export of many

products and goods which our partners want to use as a means of payment? The authorities allow them to export that which is in low demand in the West. But we are searching for new ways, as can be demonstrated by the example of Cherepovets. The equipment supplied by Siemens made it possible to raise blast furnace productivity there by 10 percent. The metal

produced above the plan was exported. In this way the Cherepovets iron and steel works earned foreign currency and paid for our supplies of equipment. We approach the development of this country with a longer-range perspective. Siemens has been doing business in Russia for 140 years, and it could remain here at least for another 140 years. This shows that we have acquired in Russia not only

clients and buyers but also partners. Together with them we could launch a large project. All members of the Commonwealth of Independent States urgently need modernization of their infrastructure: transport, telecommunications, the power industry and health service. All this accords with Siemens AG's line of business. It has experience, specialists, means and technology in all these spheres. Nuclear power engineering is our special field of activity. The state of affairs in this area is alarming in the Commonwealth of Independent States. Some power plants have to be shut down for considerations of security, and many others have to be radically modernized. Siemens AG offers a vast programme in this connection.

This country is having a hard time. The process of renewal is proceeding painfully. But I am sure that Russia and other member states of the Commonwealth will achieve progress and well-being. I am an optimist. I think this country will play its part in the world economy, worthily and successfully.

Dr. Peter Schwegmann,
head of the Siemens AG office in Moscow

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Splendor and misery of Sovietology (I)

The cherished dream of Communist ideologists has come true: Sovietology has passed away. But, there is no one to rejoice at this

I do not know who first coined the term "Sovietology" and when; it was probably only after the Second World War. In many dozen books and hundreds of articles Soviet readers have been told that Sovietologists were not only wrong in their facts and comments, but deliberately lying and distorting, haters of communism and the Soviet Union, in brief, evil people.

Western embellishers

It was, alas, a caricature of reality. While there were few Stalinists among Western experts, there were even fewer Rus-sophobes. True, many of them committed mistakes — but these were usually not the mistakes about which Soviet propaganda complained. In fact, the picture painted by the Sovietologists was often too rosy and recently a post-mortem has come under way in the West: How to explain why so many of them overrated for so many years the achievements — political, economic, social and cultural of the Soviet regime?

I have to declare a personal involvement. My interest in Russia and the Soviet Union goes back many years; I still remember, for instance, the first issue of *Voina i rabochii klass*. I was the editor from 1955 to 1965 of *Survey*, a leading academic journal devoted to Soviet affairs. I have also written a history of Sovietology — the only one in existence (1967, republished 1988), I believe. But I have never been a fully fledged member of the fraternity of Sovietologists because my interest also went into other directions. From 1965 to 1987 I was director of an institute devoted to the study of the contemporary history of Europe in general. A famous poem says:

What should they know of England
Who only England know?

and the same is true with regard to Russia.

To assess the achievements and failures of Sovietology, to gain the right perspective, it is useful to know about the prob-

lems of the study of other countries and political movements. I was only marginally involved in the quarrels and polemics among the Sovietologists. For such detachment a price has to be paid but it also has its advantages.

Thanks to Lenin and Stalin for great Russia

The first generation of what we now call Sovietologists was dominated by a few major academics who had known Tsarist Russia well — for instance, the Englishman Sir Bernard Pares (1867-1949) who had taught at Moscow University in 1899-1900 and the American Samuel Harper (1874-1950).

For them the revolution was an unmitigated disaster. They loathed Lenin and Trotsky, but as the years passed they came to like Stalin. In the case of Pares this meant the justification of the Moscow trials and purges of the 1930s, whereas Harper took the Stalinist Constitution of 1935 seriously and applauded it.

Stalinism reminded them of the old Russia — at least in some respects. In any case under Stalin the revolution had been buried and Russia became an almost normal country — cause enough for satisfaction, if not jubilation. German Sovietology — leading in the world before 1933 — was more realistic. It was, however, mainly preoccupied with facts and there was not much attempt at theoretical interpretation.

The second generation of Sovietologists arrived on the scene during the Second World War. Only a few of them had a strictly academic background — such as Merle Fainsod of Harvard (1915-1972) who wrote the classic textbook *How Russia is ruled* and Hugh Seton Watson (1915-1986), professor in London and son of a famous father, also a historian.

But many other leading figures came from a different background — Leonard

Schapiro (1908-1983), the author of the best history of the CPSU so far, was a lawyer by training, Edward Hallett Carr (1892-1982) had worked for the British Foreign Office and the *Times* and later wrote a ten-volume history of the Soviet Union, covering the period 1917-1935. The American Bertram Wolfe (1896-1977) and Isaac Deutscher (1907-1967), biographers of Lenin, Stalin and Trotsky, had been members of the Communist parties of the USA and Poland, respectively. One could easily give other such examples.

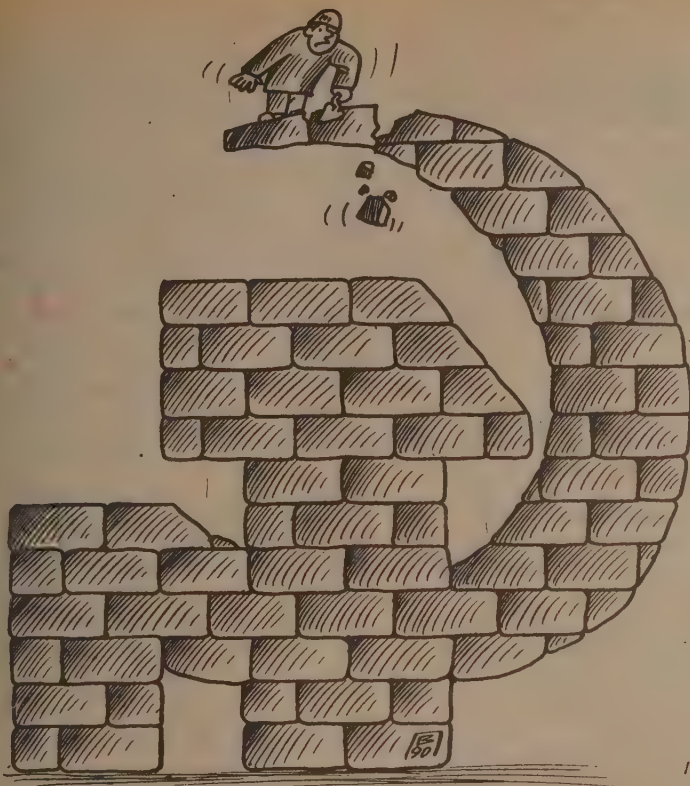
No Russian names have been mentioned so far, and it is interesting, in retrospect, that the emigrants had a very small impact. True, there were some excellent historians among them such as Mikhail Karpovich (1888-1959) and Georgi Vernadsky (1887-1973). But as far as the history of the Soviet Union was concerned, they were not much in appearance with a few exceptions such as Boris Nikolayevsky, a former Menshevik, brother-in-law of Alexei Rykov, and a walking encyclopedia on all things Russian.

Outside onlookers

Partly this was the fault of Western experts who were put off by the claims of the émigrés that only they could understand their native land. But it is also true that even some of the major figures of the emigration, such as Berdyayev and Timasheff, whatever their other merits, were a little suspect as guides to current events in the Soviet Union. They were swerving from the rejection not just of socialism but of parliamentary democracy (1923-28) to genuflections to Stalin and Stalinism (1944-47).

More reliable were the Mensheviks; their journal *Sotsialisticheskii Vestnik* was probably the best, most informative current interpretation of Soviet affairs. Perhaps the most impressive commentator on the Soviet Union was a theologian, Georgi Fedotov. But very few people had ever heard of *Novy Grad*, the journal in which he published his articles, and so he was ignored and, unfortunately, has not been rediscovered in Russia to this day, while many lesser men have been celebrated as great thinkers.

If one reads today, forty years after the event, the main works of the leading representatives of the second generation of Western Sovietologists, one finds that they stood well the test of time. They assized correctly the Stalinist system and its successors, perhaps some of them overrated the importance of Communist ideology, and under-



Drawing by
Victor
Porokhnya

rated the vested interests of the *nomenklatura* (the very term was not then known). Perhaps they underrated somewhat the role of accident in history. But most present day Soviet readers, experts or not, will find very little to quarrel with them.

There were two notable exceptions among these masters — Isaac Deutscher and Edward Hallett Carr, whose judgment, in retrospect, was quite wrong.

Although a murderer, he was a good man

They had a considerable impact at the time partly for ideological reasons, partly because of the sheer size of the work; no one would lightly dismiss a history of ten massive volumes — full of details, facts and figures. Deutscher was an excellent writer, his style was vivid, perhaps he should have written novels rather than about politics.

But he was a passionate Leninist, who fervently believed that while Stalin was a cruel dictator, Stalinism was historically inevitable, and after the death of the *vozhd*, history would “clean” his life work from all ugly stains. He expected in 1953 that Russia would return to pristine Leninism, greater freedom, greater prosperity, less barbarism.

Unlike communist propaganda writers,

Deutscher was often wrong but never boring, he presented his views, often successfully though not always truthfully, as objective and dispassionate. To this day his Trotsky biography (in 3 volumes) and his Stalin biography (first published in 1949) are reprinted, many years after the death of the author — despite the fact that it is now common knowledge that Deutscher's basic thesis was quite wrong — that Stalin was a great man who made some mistakes but whose overall role was positive because he made his country strong and prosperous.

Edward Hallett Carr was not a Leninist, not even a socialist but a Hegelian, who believed that all historical realities are reasonable and he had a predilection for strong rulers. While Hitler was alive, Carr was very much in favour of making business with him. For the same reason he had a weakness for Stalin — yet another strong ruler. He also believed that Lenin's and Stalin's policies were inevitable and, by and large, successful — in foreign policy, the economy, social changes and so on.

Of course, he was not a party member and did not have to justify every twist and turn in the party line. But, by and large, he supported Stalin, and believed that the West could learn a great deal from Stalinism and that, in any case, the future of mankind belonged to Soviet communism.

True, during the last two years of his life

he voiced some doubts — he died close to 90 a few years ago. But there is no trace of such reservation in his huge *History of the Soviet Union* — a monument of industry, rich in detail, but almost totally without value because of its basic misjudgments.

Yet another person ought to be mentioned in this context. Hannah Arendt's (1906-1975) name has been known until recently only to a few specialists in Russia. A philosopher of German-Jewish origin she published in 1951 a book *Burden of our time* (*Origins of totalitarianism*) which proved to be quite influential.

She was a very learned woman, a star pupil of two of the greatest living philosophers, Heidegger and Jaspers. But she lacked political instinct and knew next to nothing about Russia and communism — not the language, history, nor had she ever been to Russia. It is interesting to compare her with the French political philosopher Raymond Aron (1905-1983) who was also no Soviet expert, but who was a political thinker of the highest order, whose ideas have remained of great interest to this day.

Arendt had the disdain of the philosopher for facts and her ignorance did not prevent her from erecting a great ideological edifice. She was preoccupied with totalitarianism. This was not her discovery, students of Nazi Germany and fascist Italy had widely used the concept well before the Second World War.

She rightly pointed out that there was a fundamental difference between an old fashioned dictatorship and a totalitarian regime based on terror and propaganda. But then she went on making Stalinist Russia even more totalitarian than it really was, claiming that such a regime could never change, and that there was virtually no difference between Nazi Germany and Stalin's Russia, which again was no more than a half truth.

Hannah Arendt's views found more admirers among literary figures and feminists than among Sovietologists. But they did influence directly or indirectly the general public, until a few years later, after the Hungarian rebellion, she radically changed her opinion. All the claims about totalitarianism were dropped; and she transferred her interests to other topics such as American political philosophy.

However, among the Western experts the debate about totalitarianism in Russia continued; we shall show in the **second part of this article** how in the late 1960s a younger generation of Sovietologists — “revisionists” came to reject it — not because of any dramatic new events inside the Soviet Union but because of the student revolt of 1968, because of Vietnam and other such developments which radicalized many of the younger Western experts and turned them against their own country.

Walter Laqueur

LONDON

Chelyabinsk-65 equals twenty Chernobyls

Forty years of plutonium production for atomic weapons have turned the Southern Urals into an ecological disaster zone

Chelyabinsk-65 (the official name, Ozyorsk, has not taken) is the first and, perhaps, the largest of the ten "off limits" towns subordinated to the Atomic Energy Ministry of the Russian Federation, the successor to the USSR's Medium-Size Machine Building Industry. The Mayak chemical plant has been producing combat plutonium — an indispensable component of nuclear arms — there for the past forty years. And it was there that three horrible nuclear disasters which made the Southern Urals the Earth's most radiation polluted region took place.

The local authorities are wary about newspapermen, but once you have found

your way there, they treat you well. They will take you on a tour of the town (pop. 86,000, a lot of greenery, a drama theatre, the *Ozyorsky vestnik* newspaper, well-stocked food stores — as compared with those of the neighbouring "open towns"). You will be taken to the local museum, to the Kurchatov House "where he lived and worked," and accorded a peep at the works.

The production of combat plutonium was stopped there a year and a half ago. All the five reactors have been "mothballed" and will be under observation for at least thirty years. This does not mean, however, that the Mayak has stopped "serving military

purposes" — it still has its carefully guarded secrets. There is still no admittance to certain parts of the town and of the Mayak grounds without a pass, and far from all the plant workers have free access to the "holy of holies" — the shops where "special products" are made. No explanations are offered as to the nature of those "special products."

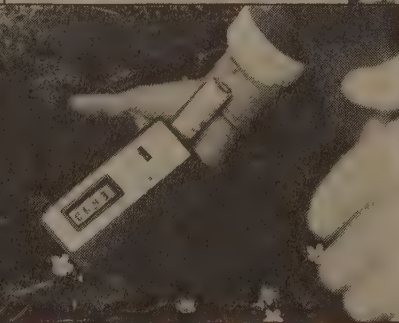
But then you will be readily told that the Mayak makes radioisotopes for export, processes waste nuclear fuel coming in from atomic power plants (partly under our international commitments to Eastern Europe countries and Finland) and from submarines, launches conversion programmes.

The radiation background within the town limits is normal. Nevertheless, as compared with other "off limits" towns of the Atomic Energy Ministry (Tomsk-7 and Krasnoyarsk-26 where combat plutonium is also made) the overall disease-incidence rate in it is 1.5 higher; specifically, it has 2.5 times the average number of cancer cases; twice that of diabetes cases; 1.5 times that of respiratory troubles; and 1.8 times that of inborn anomalies.

The past still makes itself felt.

A secret installation "talks"

The residents of Ozyorsk told me that their town had been founded by Yefim



Muslyumovo children are not afraid of radiation: there is no life without the river for them, anyway

Photos by author

Teverovsky, a military engineer who led a group of surveyors to the Southern Urals in November 1945.

After the atomic bombardments of Hiroshima and Nagasaki, Stalin decided to have his own nuclear arms tested as soon as possible by way of an answer to Truman. Beria was made personally responsible for the nuclear testing programme. The first reactor was built and started up in the Southern Urals incredibly fast, in a year or two.

Plutonium was produced in feverish haste, and the reactors were of the most primitive kind. Next to nothing was known about what radiation was and what effect it had on human organism. This is, perhaps, the only explanation for what happened later.

Radiochemical production is known to cause large amounts of liquid radioactive waste. Their safe storage remains No.1 problem of atomic power engineering. In those years, the Mayak dealt with the nuclear waste disposal problem simply by dumping it into the nearest river, the Tеча. Unknowingly, people bathed in the river, drank from it and watered their cattle from it. And then died of a mysterious disease.

That went on for two years until the local sanitation and epidemiological station sounded the alarm. A special commission was formed at the end of 1951 to clear up the situation, and Academician Alexandrov himself was appointed its head. Having measured radiation levels and made random medical examinations of the local residents (every second of whom turned out to have radiation sickness) the commission arrived at the conclusion that the radiation effect was enormous, that the practice of dumping radioactive waste into the river had to be stopped, and the local people resettled elsewhere.

There are no healthy people in the village of Muslyumovo

Mass evacuation began as late as in 1955 and, as most experts admit today, the measure did not bring the desired result — by that time people had already received heavy doses of radiation.

I happened to visit Muslyumovo. The village remains, to this day, a sore point of the region. On the river bank, my dosimeter showed 823 microroentgens per hour, which is about 40 times the maximum permissible level. I was told that the place was relatively safe, and that in some places nearby the radioactive background level amounted to 2,500 microroentgens.

By all the existing rules of radiation safety, people should be evacuated from those places immediately. Local children receive doses of up to 2 rem a year which is much more than anywhere in Chernobyl. Besides, they have accumulated internal radiation: after all, they are third-generation radiation victims!

Gainulla Kamalov, the chief of the village administration, told me that last year he had had 70 Muslyumovo kids examined in a town after-work sanatorium. The examination revealed all the children, without exception, were ill, with serious complications.

Horses and cows graze peacefully on the river banks, and children, in spite of the ban, angle for small fish. "What do you do with the fish?" I asked. The question amused them. They eat it, of course. Did they know how harmful it was? Oh, they heard about that, but the water looked clear enough, didn't it, so where was the harm to come from?

"There is no life without the river anyway," Kamalov says. According to him, no one wants to leave. The village people believe that the answer lies in better living conditions and a better medical service. In a village with dozens of radiation victims there are practically no skilled doctors, let alone medicines. Boris Yeltsin visited the place on June 5, 1991, and promised to "look into the matter." Nothing has changed since then.

"Northern lights"

They readily show journalists the place where an accident took place on September 29, 1957 — a container with 250 cubic meters of highly active nuclear wastes exploded at the depth of several metres below the surface because of a defect in the system of cooling. Now it's safe there, only a huge concrete block thrown away by the explosion at the distance of several metres reminds of the accident.

The power of the explosion was equivalent to 10 tons of TNT, the total discharge of radio-nuclides to the atmosphere reached 20 million curies (the entire Chernobyl yielded 50 million curies), out of which 18 million fell out on the site and 2 million dispersed all over the territory of the Chelyabinsk, Sverdlovsk and Tyumen regions covering 23 thousand square kilometres.

In the beginning of October 1957 local and central newspapers carried reports about an unusual natural phenomenon observed in the vicinity of Kyshtym and resembling the northern lights. It was in fact a radioactive cloud, the so-called Eastern



It's safe now at the place of the 1957 explosion

Photo from the newspaper Yomiuri Shimbun (Japan)

Urals radioactive track which nearly reached Tyumen, spreading over a territory inhabited by 270 thousand people. If the wind had been a bit stronger, Sverdlovsk would have been in this zone too, and the city would have to be urgently evacuated.

... This time the residents of the most contaminated villages were resettled very quickly. Special detachments gathered the population, issued them special clothing, burned their old clothes, personal belongings and houses; the cattle was shot, also burned down and buried. All resettlers numbering about 10 thousand people were given housing in safe regions.

Now, 35 years after the accident, the greater part of the polluted area is again cultivated, except for a territory of 16 thousand hectares where there are too many radionuclides in the earth. A sanctuary has been created here in which scientists who work at an Experimental Research Station explore the influence of radiation on the local animal and vegetable life. However, the unsuspecting residents of Sverdlovsk and Chelyabinsk used to gather mushrooms and berries here during all these years.

The third accident occurred in the summer of 1967 near the Karachai Lake where radioactive waste has been dumped during all these years and is still dumped now. After a dry winter and a hot summer the lake had noticeably dried up, and a strong wind spread the radionuclides from the beaches thus formed throughout the surrounding area. According to some assessments, 42 thousand people more were

irradiated as a result of this disaster.

Now the Karachai Lake is being filled up with rocky soil and road metal. Not so much is left, only 14 hectares. The lake is believed to finally disappear in 1994, but will this solve the problem?

A year ago an expert commission of the USSR Supreme Soviet discovered a reservoir of radioactive underground waters underlying an area of 30 sq. km. Where will they break through to the surface?

Professionals are not at fault

I witnessed a peculiar scene in the central department store in Chelyabinsk. A broad-shouldered guy aged about thirty tried to buy something without lining up. When someone objected indecisively, he produced a certificate in a businesslike manner. They let him pass without saying as much as a word.

"An Afghan war veteran?" I inquired from those around me. He turned out to be a Chernobyl rescuer.

There are several hundred such young men at the Mayak plant. Everyone deservedly enjoys privileges granted them under the law of the Russian Federation "On the social protection of citizens irradiated as a result of the catastrophe at the Chernobyl Atomic Power Station."

When this doubtlessly humane law was adopted, protest was voiced at the Mayak plant, because it failed to mention those who had suffered from radiation at other projects, and suffered much earlier and much more seriously than those in Chernobyl. Among the liquidators of the Chernobyl accident few received a dose exceeding 25 rem (roentgen equivalent man), while there are thousands of such people at the Mayak plant!

158 cases of radiation disease were registered in Chernobyl. At the Mayak plant, only according to preliminary data, there

are over two thousand such cases, and another six thousand of its personnel received a total dose of over 100 rem, including not less than 25 rem during one year, which is considered especially hazardous to health.

In the 1950s, the chemical plant's personnel worked in their own clothes, freely breathed in plutonium and spread radioactive dirt all over the plant's territory. "Emergency situations happened nearly every day," recalls Maria Zefirova, a veteran of the works. "If, for instance, a radioactive liquid was spilled, we removed it with bare hands, using a rag."

Vladimir Turusin who came to work at the Mayak chemical plant in 1954 (later he took part in the clean-up after the 1957 accident; now he is the deputy manager for personnel) told me he had been unpleasantly surprised on the very first day, when he saw in the backyard of one of the premises a heap of ready-made gravestones — it only remained to engrave a name and the years of life. Here one used to get ready for others' deaths beforehand.

They don't want such a law

A meeting with people suffering from the so-called occupational disease, i.e., "the chronic form of radiation disease," was arranged for me. Slightly over seven hundred such people still live in the city, and they are not at all elderly ones. Many of them are mortally ill — chronic radiation sickness causes cancer.

These people wrote letters to Ryzhkov, Yeltsin, Khasbulatov and Gaidar, sent delegations to the Kremlin and parliament, asking for very little — to have at least the "Chernobyl privileges" extended to them. In reply they were advised to work out a draft law of their own which could be forwarded to parliament. When the draft law was ready, the Ministry of Atomic Machine-Building decided to extend the "Chernobyl privileges" to them too.

Difficult to reject a legacy

"Ours in a terrible legacy," comments the plant's manager, Victor Fetisov, 50. "We had to pay too dearly for plutonium."

The price is as follows: 500 thousands of over-irradiated population (the fi-

gure should be at least tripled now, since the third generation has already appeared), 20 thousand dead. In addition, there are a contaminated river system, 83 square kilometres of radioactive reservoirs, the Karachai Lake with its 120 million curies of radionuclides, and 98 containers with liquid radioactive waste. This makes over a billion curies all in all, or about 20 Chernobyls.

The containers with liquid waste are a special headache for the ecologists. True, a new technology of converting the potentially dangerous liquid waste into glass blocks has been introduced at the Mayak plant. This considerably diminishes the probability of accidents, though it doesn't rule them out altogether. However, so far only an insignificant part, about 70 million out of over 900 million curies, has been glassified.

A no smaller concern is caused by the radioactive reservoirs overfilled to the critical level. They appeared after a dam was built in the upper reaches of the Techa River. They believe at the Mayak plant that all problems could be solved if an atomic power station using prompt neutrons were built. Thus three objectives can be reached at a time: radioactive water can be used for cooling the reactor and turned into steam; plutonium which has accumulated at the plant will be "burnt" as fuel and, lastly, the new power station will replenish the shortage of power in the Chelyabinsk region.

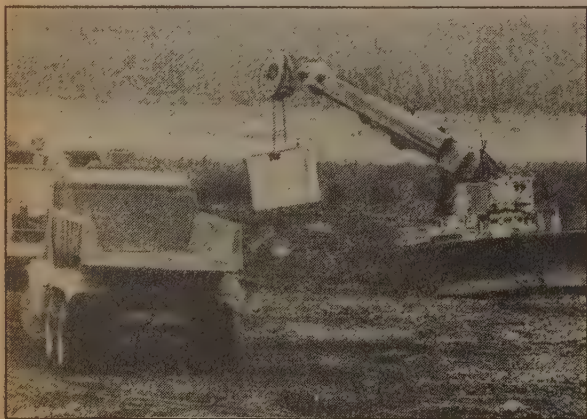
The unprecedented idea of building the Southern Urals Atomic Power Station suggested by the Ministry of Medium-Size Machine-Building a few years ago was met with applause, and only the Chernobyl catastrophe prevented the implementation of this extremely dubious project.

Alexander Penyagin who headed the USSR Supreme Soviet's subcommittee for atomic energy and nuclear ecology claims that it's not only immoral but also dangerous to build an atomic power station in an ecological disaster zone in the immediate vicinity of a city with almost 100-thousand-strong population.

A year ago a united expert group of the USSR Planning Committee and the Union Parliament came to the conclusion that the project was "scientifically ungrounded and unpracticable."²⁴ The residents of Chelyabinsk said their unanimous "no" to the project at a referendum which, true, had no legal power. However, this is not yet the end of the story. The Mayak experts revised the project, and a month ago Yegor Gaidar signed a document unfreezing the building of the power station.

In all probability, it will be much more difficult to talk the population into "freezing" their opposition to the project.

Oleg Vishnyakov,
New Times special correspondent
CHELYABINSK-65—MOSCOW



The Karachai Lake is filled up with rocky soil and road-metal. The lake is to completely disappear in 1994. Will this solve the problem?

Photo from the newspaper Yomiuri Shimbun (Japan)

Infitah forges ahead

Though Russia should not necessarily copy everything foreign in her reform, she would undoubtedly profit from experience of others

Dr Mamdoukh al-Beltagui

We call our President's strategy the national project. However, before outlining this project, currently being implemented on the threshold of the next, 21st, century, allow me to mention in brief what led up to it.

The Infitah (open doors) policy, that Egypt's late President Anwar Sadat enunciated, was reflected in every aspect of life. In the domain of foreign policy he managed to free the occupied Sinai Peninsula and the Suez Canal not only by means of force, but also thanks to a peace treaty with Israel.

At home Sadat initiated pluralism and democratic liberties while in the economic field he promoted market relations, attracted foreign investment, and secured the initial accumulation of capital in the country's private sector.

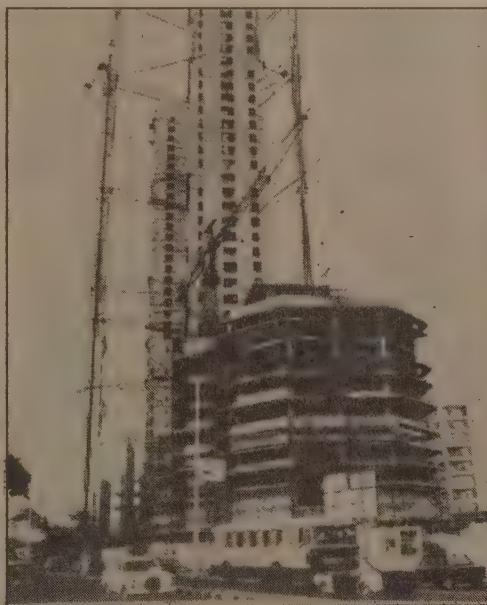
The late President's policies were adversely expressed in Egypt's marked isolation in the Arab world, in Africa, and in the Non-Aligned Movement. At home by 1981 the situation bordered on civil war with unrest erupting into bloodshed in Asyut and with Sadat himself assassinated by fanatics later. In the private sector he failed to secure any substantial advances in spheres of production.

President Mubarak's national project is pivoted on a search for conciliation and a balance both home and abroad.

It implies the maintenance of peace with Israel, which does not at all signify

renunciation of affiliation with the Arab world. On the contrary, Cairo perseveringly seeks to bridge the split in the Arab world and in this effort has gained considerable success.

An identical policy is pursued vis-à-vis Africa, the Non-Aligned Movement, the Moslem world, and the great powers. Egypt is no longer in isolation and its prestige throughout the world has reached former heights.



Egypt's reconstruction is cramped by demographic problems

Photo from The Middle East magazine (Great Britain)

As for domestic policy, conciliation and balance are based on the consolidation of a broad political front around the National Party, with pluralism and basic civil liberties ensured.

Thanks to the proper combination of political liberties and economic development the national project has escaped anarchy, discord and external interference. We know that in some countries reforms failed because political liberties outpaced economic advancement. True, we are

against freedom being sacrificed on the altar of material promise, and the collapse of some regimes has shown how mistaken that has been.

In the national economy a balance must be struck between the state and private sectors. The state sector should stimulate development, but not expand horizontal structures, especially a non-producing bureaucracy. We prefer the example of private entrepreneurship that is to be observed in free capitalist societies.

Summing up Mubarak's national project, we may note the following. Under him Egypt has signally contributed to the restoration of Arab solidarity, which unfortunately Iraq's aggression against Kuwait has destroyed. Consequently, much must be done to secure political coordination, economic integration and enhanced defence for the Arab world.

It is essential to renounce all confrontation and to struggle conjointly against all terrorism on the basis of international law. Egypt currently has good relations with the great powers and with other Western countries and is drawing upon this to resolve the Arab-Israeli conflict through negotiations based on the principle of "peace in exchange for land" and the gratification of the Palestinian people's lawful national rights.

Though 49 percent of its population are illiterate, Egypt needs to cope with the objective of assimilating sophisticated technology.

The demographic issue, which represents an objective difficulty, is expressed in a natural growth outpacing economic potentials, in lower educational and health standards and in agrarian overpopulation.

As for one subjective difficulty, this is expressed in the uncertainty Egyptian private capital displays as regards future prospects. Between \$60 billion and \$120 billion have been deposited abroad, notwithstanding the economic liberties practiced. Local currency is freely convertible, and private — national and foreign — entrepreneurship is encouraged. The reexport of capital is unrestricted and taxation has been eased.

President Mubarak's national project envisages additional legislation to cope with these difficulties obstructing Egypt's further development.



Prof. Mamdoukh al-Beltagui, who holds the academic degree of Doctor of Law, chairs Egypt's State Department of Information



Leonid Nikitinsky, 39, a journalist of the newspaper *Komsomolskaya Pravda*, does not need publicity. But, according to the "law of bad luck" — everything for some and nothing for others — he was made even more popular in Russia by a dyed-in-the-wool Communist, Yuri Slobodkin, at a session of the Constitutional Court. The latter described Nikitinsky as a "clever fellow" because in one of his articles he advised the judges to pass (before lunch) a resolution that the President's decrees on the Communist Party were unconstitutional and, after lunch, to adopt another decision saying that the Communist Party itself was unconstitutional.

Leonid Nikitinsky has been born into a family of lawyers, Muscovites and nobles. A graduate of Moscow University's faculty of law, he was awarded the degree of candidate of law. For some time he worked as a lawyer and taught Soviet law, but then he broke with jurisprudence because, in his opinion, it was not a science at that time. Nikitinsky became a journalist. Three years ago he began to work with *Komsomolskaya Pravda*. Today Leonid is one of the staff writers who shapes the image of this popular newspaper.

This journalist with a permanently tousled beard has the manners of an enfant terrible. Recently, after a TV programme had

been prepared, Nikitinsky took offence at its recording director. The latter cut out the piece in which Leonid advised the President — for the purpose of avoiding false rumours — to get a capsule implanted in his body and receive an appropriate medical certificate. To prove how convenient it is, Nikitinsky showed his own certificate to TV viewers.

* * *

Russia's commercial capitals are increasingly venturing into the risky and unpredictable sphere of large-scale, long-term investment projects. Bringing ideas and capital together, and making its placement more effective — these are the goals the Russian Invest-

ment Tender Corporation (RINTECOR) has set for itself. The emergence of companies such as RINTECOR, which proceed from unique expertise and new economic thinking and can provide guidance to investors, is convincing proof there are forces in the country that are capable of making market-oriented reforms irreversible.

Success of any company as a rule is derivative of broad-mindedness, energy, scientific courage and talent for organization of its head. Such is **Alexander Pogorelsky**, who was appointed president of RINTECOR in October 1991. His personal qualities and record of service give him justified basis to take this post.

Alexander Pogorelsky graduated



from the Leningrad Institute of Precision Engineering and Optics and the Moscow Management Academy. He holds a master's degree in economics. He served as department head at the Economics and Management Institute of the Ministry of Con-

Unique masters

Extraordinary in their beauty, Russian kerchiefs are worn at all times. No short-lived fashion gimmicks, they are objects of classic style. The gifted Moscow artists **Marya Rozantseva** and **Yelena Gaberland** engage in the art of decorating articles of clothing through the use of embroidery and weaving. They create shawls, kerchiefs, scarfs, neckties, and bright and original panels.

Marya and Yelena have much in common. Both girls were born in Moscow, and in one and the same year they graduated from the Technological Institute of Everyday Services. Both have one and the same speciality — designers of items produced by the textile and light industry. Lastly, the mothers of both girls are pensioners who continue to work because of the hard times we all face.

But there are also distinctions, and some of them are visible in the photograph. Marya Rozantseva (left) is a brunette. Incidentally, she is a little more lucky than Yelena because she has already been to the United States and some other countries. But both girls have had a tough go of it so far. They tried to set up a small business, but failed. Marya and Yelena are not losing heart, however. Everything lies before them. Their art is fresh and original.

In spirit, the painters are closer to their Russian subject matter. Their paintings may take the form of frescos of Ancient Egypt or be inspired by folk tales from all over the world. Painting is usually done on natural silk.

The technique of fabric painting is complicated and time-consuming. The result, however, certainly proves well worth waiting for!

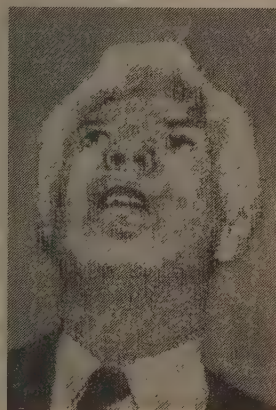
Thin shapes of flowers with twisting, dewy petals, fantastic fire-birds, scenes from ancient mythology — this and more finds expression in the works of the young painters.

Displayed at the exhibition-sale "Master," held at the Central House of Artists last year, were silk kerchiefs and mural panels produced by Marya Rozantseva and Yelena Gaberland. Success came at once — the Americans literally bombarded them with orders. Not long ago, the painters received an order to make a theatre curtain for the Moscow House of Culture.



struction in the Oil and Gas Industries and took part in the setting up of a number of commercial undertakings and exchanges.

* * *



Arne Treholt, Norway's "number one prisoner," has been set free. The former head of the Foreign Ministry's press department served eight and a half years of the 20-year term he was sentenced to on the charge of spying for the Soviet Union. In 1984 Treholt was arrested at the airport. Counterintelligence officials asserted he was going with a suitcase of secret documents to Vienna, where he was supposed to meet with KGB general Gennady Titov. Accused of passing on important NATO data to the opponents, Treholt was sentenced to 20-year imprisonment, the highest measure of punishment used only against Quisling's henchmen.

Treholt and his friends (there were quite a number of them in Scandinavia) agreed that he talked much with Soviet diplomats. However, they flatly denied that Treholt had divulged any state secrets. An unorthodox Foreign Ministry official considers himself the "last victim of the cold war" because his desire to establish a confidential dialogue between the West and the East was wrongly understood both in the Soviet Union and Norway.

Lawyers have always had doubts

as regards the actual proof of the case because the counterintelligence service did not furnish any direct evidence. Besides, Gennady Titov denied that his acquaintance was a KGB agent, though he admitted meeting with him. But at the time when the confrontation in Europe was at its apex Treholt had no chance of extricating himself.

The photograph of a street conversation between Treholt and his Russian acquaintance was produced in court and appeared in Western newspapers, and became the chief direct evidence. It was difficult to believe in the naivety of the "victim," since it transpired that

Norway's Foreign Ministry official also confidentially helped an Iraqi diplomat. Treholt supplied him with data regarding prospects for Iraq to purchase modern technology.

In any case, the "last victim of the cold war" spent a record amount of time in the harshest places of imprisonment where, in the opinion of Treholt's friends, everything was done to break his will: the restriction of his rights as a prisoner and the rejection of his requests for release and pardon. Treholt's rising career was wrecked. His wife, an actress, deserted him. Though Treholt kept himself in

good physical shape, managing to run in the prison yard, the psychological burden of the last few years obviously made itself felt. The death of his second wife, with whom he hoped to meet on the "morning of freedom," proved a crushing blow to Treholt.

Only then, in view of the state of the prisoner's health, the Norwegian government pardoned Treholt at last. To enjoy freedom, he immediately went to Sweden and is now going to Greece, where he will think of his new life. A noted journalist in the past and the author of prison memoirs, Treholt is sure that he will find his place in life.

Grigory Knapp's wonders

He does not know his exact age, where he was born or what his parents were. He has never studied anywhere, even in a primary school. At present he lives in a trolleybus forgotten about because it had become unfit for use and disposed of in one of the Moscow streets ("It's too expensive in a hotel," he explains). A section with his small but very useful inventions has been opened in the main building of the Agriculture exhibition at the All-Russia Exhibition Centre in Moscow.

Grigory Knapp is not a person without a definite residence. He has a good house in Rzhev which he built with his own hands. His wife, children and grandchildren live in it. He is an amateur plant breeder and gardener. He gathers unprecedented yields from his garden, for instance, 70 kg of cucumbers from three square metres and 13 kg of tomatoes from three plants. He knows how to protect a blooming orchard from spring frosts, how to select only a ripe water-melon in the field, and replant trees and flowers in their blooming time. The most interesting of his inventions is a mini-garden which can be organized on a roof or wall and even in a barrel.

During the civil war a six-month child was found in the Chernogubovo estate near Tver. It is said that his father was killed by White Guards. The boy was placed in a children's home but ran away from it. He was caught but ran away again. Since his childhood Grigory has had to get out of scrapes, dodge and adapt himself to various situations. Then he was called up and took part in the war against Finland and Nazi Germany. A tramp became a hero. He returned from the war as a senior lieutenant, with the orders of the Patriotic War (first and second classes) and numerous medals.

For a long time Grigory worked as a forester. He grew orchards on the slopes of mountains in the Crimea. He conducted many experiments. Soon people began to take interest in his experience. So he made pictures of his innovations and detailed explanations for them. Since 1980 Grigory has travelled up and down the country with his "exhibition of wonders." He leaves for himself a small part of the earnings to cover the expenses, transferring the other money to children's homes.



No-exit striptease

Scorned first,
then tolerated,
now accepted

Story in pictures from the Kakadu show
by Alexei Khudenko



Vitaly Mukhin

That typical "bourgeois" entertainment, the striptease, is proliferating around the CIS along with market structures. Thus, in full accord with the law of supply and demand, it emerged in the Crimea at the height of price hikes and fall in purchasing power, as a means of averting the exit of frequenters from places of amusement.

Pioneering the way in Yalta was the Kukuma cabaret that opened at the Cruise restaurant. Of the five dancers, only one fully strips as 16-year-olds may only bare bosoms.

Public attitudes differ, the same applying to female soccer and the corrida. Several years ago the striptease was frankly scorned. Then it was tolerated and now it seems fully accepted. Despite varied interpretations, depending on who runs striptease shows, they may be erotic art or downright pornography.

Thus, Alexander Lyakin, a theatrical professional who is now Kukuma's artistic director, and the Cruise restaurant's head manager, Vladimir Kulakov, are dead set against pornography. Which is not so easy to achieve, as the girls recruited are straight from the street. Far from always do girls, unashamed to show their "charms," possess the required scenic ability without which stripteasing would be nothing but taking off clothes. Professional dancers experience great difficulty in overcoming the psychological barrier separating nudity from drunken, not always tactful, spectators, the more so in such a



resort as Yalta, where virtually everyone knows everyone.

Indeed, when her schoolteachers learned that N., 16, was dancing in a striptease cabaret — true she did not strip — they told her parents to remove the girl from that particular school.

"We have every trust in our daughter, who is quite a serious person," says her father, an intellectual with modern views. "If a young person has not learned how to behave by the age of 15, there is no point in trying to teach him anything. Then, unlike other parents, we know for sure where our daughter spends her spare time. Finally, I cannot stand such hypocrisy."

Kukuma dancers are paid 45 rubles for an hour and a half or two a day. Not to say this is without its risks as more than enough seek to photograph or at least finger one of the girls. However, the police and the cabaret and restaurant management handle that. Dancers are heavily fined should they smoke or drink and step down from the stage, which is quite justified, though strict, as frequenters may easily find a secluded nook for one or another of the girls.

As for the current Number One, she is 26 and married. Her husband is none too enthusiastic, true, but thus far tolerates her job. As for her friends and acquaintances, though "they compliment me, behind my back they say all sorts of nasty things. Now and again," she says, "I too consider the job reprehensible, but when the time comes to strip I want to do that because I feel uninhibited and let myself go, which I cannot do in ordinary life."

Where they strip

When the Kakadu striptease show began in Tallinn in 1985 both spectators and critics were happy. However, the whole thing fell apart due to inner bickering.

Subsequently in Moscow the choreographer couple Boris and Tatiana Bleikher re-started the Kakadu show at the Ukraina Hotel. For southerners in track suits entry is barred. Only respectable foreigners are let in.

However, this is a totally Soviet — note Soviet, not Russian — show, with Soviet problems. "They don't even let us knock a nail in the wall," administrator Georgi Yavorsky complains. "Dancers have to strip on a wooden platform and use a tiny dressing room, though there are 20 of both sexes."

Tickets cost 600 rubles, which is quite a Soviet rate, as several hundred dollars have to be forked out to enter the Gabriela Casino in the Intourist Hotel.

The diverse Kakadu cast are all "erstwhiles," implying that they are former school and college students, textile and shop workers, etc.

Thus, for Svetlana this helps her to discard inhibitions and dance to music. A gymnast before, she says: "On the stage I feel I am very attractive."

Nepal-born Farid, who graduated from the State Institute of Dramatic Art a year ago, does not want to go home yet. He believes the classical ballet boring, and back home he aims to become a theatrical director.

A carping committee selects the girl dancers, who must be attractive, elegant and supple and must not be under 16. For anyone under 18 yet, only her parents may sign the contract. All chosen go through special training.

"The average girl dancer earns more than Moscow mayor Luzhkov's official salary," Georgi Yavorsky, who keeps the books, claims. Though he declined to specify exactly how much, one may compute the sum, which evidently ranges between 500 and 800 rubles a night.

Alexei Khudenko



At the height of his fame Bobby Fischer had many notable fans including Fidel Castro, whom he met in Havana in 1966

Photo from Der Spiegel (Germany)

Bobby Fischer returns

The legendary grandmaster's "Yugoslav game"

When a brand-new Opel drew to a halt by the filling station near the Yugoslav border with Hungary late last month and Jezdimir Vasiljevic, proprietor of one of Yugoslavia's biggest private banks alighted, the station assistant put to him a question uppermost in many minds at the time: "Mr Vasiljevic, is it true that you managed to coax Bobby Fischer into coming to Yugoslavia?" "Quite so," came the reply, "there he is in the car looking straight at you."

After some twenty years of seclusion the legendary Bobby Fischer has returned to the chess world, visiting Yugoslavia to play against Boris Spassky in a sequel to their 1972 duel in Reykjavik.

Fischer's ascent to the chess crown in the early 1970s was meteoric. In the

tournament for the world title he defeated Taimanov and Larsen 6:0, and whipped Petrosyan and Spassky with scores respectively of 6.5 to 2.5 and 12.5 to 8.5. Yet the world's eleventh chess champion unexpectedly withdrew.

Over these twenty years he has not played a single game officially. In 1978 he completely receded into his shell. Incidentally, in that same year he came to Belgrade to see his good friend grandmaster Svetozar Gligoric, who futilely sought to get Fischer return to the world chess. Bobby joined a religious sect and hardly left Pasadena.

Now though he has agreed to play against Spassky in a tournament in which victory will be declared when either side chalks up ten wins. The first half is to be

held on the Montenegrin island of Sveti Stefan, the second half in Belgrade itself.

Fischer's return is sensational, but still more astonishing is his consent to play in Yugoslavia, today virtually isolated side politically and economically. No businessman trades with Belgrade today and even cultural personalities do not show up. Yet Fischer has come.

What moved the "enigmatic American" to take this amazing step?

The winner will take a purse of some 3.5 million dollars, the loser only a million-odd. That would seem enough of an excuse for most. Truth to tell, the purse offered is the largest ever in chess history. Incidentally, the 1993 match for the world title will "cost" only 4 million dollars.

But the matter is not only one of money. Fischer was offered similar amounts before, only to decline at the last moment. No wonder, one invented saying goes: "Everything has its price except Fischer."

Some think the incentive was furnished by the breakup of the Soviet chess school with which Fischer unceasingly competed. Others believe he seeks to pay a debt to Yugoslavia where he is more popular than in America.

Yet we think truer the excuse Yugoslav grandmaster Borislav Ivkov offers: "Bobby plans to marry. If his bride isn't rich, she'll want money, if rich, she'll want glory. So Fischer's only alternative is to resume his chess career."

One wonders whether he is still the old "brilliant Bobby." The cognoscenti assure us that he has never given up chess and is familiar with all decisive games played over the past 20 years. Consequently, the old Bobby will soon amaze the world.

Fischer's arrival in Belgrade is not the last bombshell. According to some sources, Jezdimir Vasiljevic promises that the US Secretary of State will grace the opening. He also hopes to follow up with a second match against Kasparov, again naturally in Yugoslavia, and is prepared to part with as much as 10 million dollars in that case.

Though that appears to have but little substance, still we might remember Yugoslavia in the future not only in connection with its latest bloodbath.

Gennady Sysoyev,

New Times correspondent

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